Financial Services
Commission
of Ontario

ANNUAL REPORT •
FINANCIAL SERVICES COMMISSION OF ONTARIO
2011 – 2012

Vigilant Oversight in a Changing Environment

Table of Contents

Message from the Chair and the Chief Executive Officer 2

FSCO's Mandate, Governance and Resources 4

The Regulated Sectors in Profile 8

Pension Plans 8

Insurance 10

Deposit Institutions, Mortgage Brokering, Co-operative Corporations 10

FSCO at Work 13

Overseeing Pension Plans 13

Licensing, Monitoring and Enforcement Across Sectors 16

Regulating the Automobile Insurance System 21

Resolving Disputes Over Statutory Automobile Accident Benefits 24

Developing Regulatory Policy 26

Educating Consumers 29

Getting the Most from Organizational Resources 30

Report of the Financial Services Tribunal 32

Financial Services Commission of Ontario Organization Chart 34

Financial Statements 37

Financial Services Commission of Ontario 37

Pension Benefits Guarantee Fund 47

Motor Vehicle Accident Claims Fund 57

Superintendent's Report on Insurance 69

Message from the Chair

John M. Solursh
Chair
Financial Services Commission of Ontario
Financial Services Tribunal

We are pleased to present the 14th Annual Report of the Financial Services Commission of Ontario (FSCO). Through this annual publication, FSCO reports back to the public, the regulated sectors and the government on how it has fulfilled its mission over the previous 12 months.

An integrated regulatory agency reporting to the Ministry of Finance, FSCO oversees pension plans, insurance, mortgage brokering, credit unions and caisses populaires, co-operative corporations, and loan and trust companies in Ontario.

These sectors are important in Ontario's economy. Ontario pension plans have more than 3.8 million members – including retirees – and generate retirement income through assets valued at $410 billion. Insurance is a $42 billion a year business in Ontario, helping families and businesses manage risks. Credit unions and caisses populaires hold more than $35 billion in assets and provide savings, loans and other financial services to 1.6 million Ontarians.

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates. A well-regulated financial services industry increases consumer confidence, which in turn creates a stronger market. FSCO's objectives include protecting consumers, increasing compliance with laws and regulations, and supporting a healthy and competitive financial services marketplace.

The Environment

During 2011-12, Ontario enjoyed modest economic growth but continued to be affected by global economic developments as budget deficits put pressure on governments around the world. FSCO supported the Ontario government's efforts to efficiently manage its fiscal challenges by ensuring sound corporate governance and developing innovative approaches to service delivery. Over the past year, FSCO has focused on improving performance across the organization. This focus on performance management is designed to ensure that FSCO defines success, delivers on its outcomes and has meaningful metrics to track progress. During the year, FSCO reported on its measures and established new ones to judge its performance in each regulated sector.

Risk-Based Supervision

Consumers are increasingly attuned to risks in the financial services marketplace and increasingly demand that governments, regulators and businesses protect their interests more effectively.

FSCO's risk-based approach to regulating provides for effective resource allocation for improved consumer protection. FSCO identifies the highest risks in each regulated sector and concentrates efforts on these areas.

In November 2011, following stakeholder consultations, FSCO released a comprehensive Risk-Based Regulation Framework for the supervision of pension plans. The goal is to improve FSCO's ability to detect and focus resources on higher-risk plans. During 2011-12, FSCO began to implement the new framework, including pilot projects on the review of financial and operational risks.

As the leading insurance market conduct regulator in Canada, FSCO's primary focus is the fair treatment of customers. FSCO enhances consumer confidence by ensuring that those who conduct the business of insurance in Ontario have practices that are consistent with the law and contribute to a safe and stable marketplace.

FSCO also monitors the solvency of a small number of Ontario incorporated insurers to make sure that obligations to policyholders can be met. In the case of one insurer, FSCO implemented enhanced supervisory monitoring and regulatory requirements to protect policyholders. After exploring all viable options, FSCO and other regulators supported the company's board of directors in its decision to voluntarily wind-up its operations. As a result, policyholders were protected by the industry organization that safeguards Canadian policyholders, within limits, if their company ceases operations.

During the year, FSCO completed 99 on-site examinations of mortgage brokerages. The focus was on high-risk areas of corporate governance and oversight, such as, brokerage supervision, required disclosure and client relationships, and errors and omissions insurance. The reviews concluded that mortgage brokerages needed to make further improvements to their policies and procedures to lower the risk of harm to consumers.

Innovative Service for Increased Productivity

FSCO has invested in information technology to enhance productivity. In 2011-12, FSCO expanded electronic filing options for pension plan administrators and their agents through the Pension Services Portal on FSCO's website. E-filing of all prescribed pension filings will be mandatory as of January 1, 2013.

During the year, FSCO rolled out an electronic scheduling system for mediation services where the parties book mediation meetings online. This has accelerated the number of dispute resolution proceedings as mediators are spending less time on administration and more on mediation.

and the Chief Executive Officer

The eCalendar has streamlined the dispute resolution process; stakeholder feedback shows it is flexible and easily accessible, it minimizes costs for all parties and has enhanced mediation efficiencies.

To enhance communication with the public, FSCO launched a redesigned website in summer 2011. Its website is now organized by audiences and regulated sectors. In fall 2011, FSCO launched a News on Demand service that automatically feeds new content in five sector portals directly to subscribers. In spring 2012, FSCO launched a Twitter account to directly engage and share content with consumers, stakeholders and members of its regulated sectors. Through this, FSCO is creating more opportunities for transparent, two-way communication for awareness of emerging issues and regulatory requirements.

A Focus on Auto Insurance

Strengthening the automobile insurance system remains a priority for the government and FSCO.

In July 2011, the government appointed the Auto Insurance Anti-Fraud Task Force to assess fraud in Ontario's auto insurance system and recommend actions to reduce it. FSCO is playing an important role in various aspects of the Task Force by working with the Steering Committee, the Regulatory Practices working group and the Consumer Engagement and Education working group. Working closely with the Ministry of Finance, FSCO is contributing to collaborative approaches and solutions for consumer engagement and education, investigation and enforcement, and regulatory practices to reduce fraud.

The government directed FSCO to consult with medical experts on the definition of catastrophic impairment as set out in the Statutory Accident Benefits Schedule and the qualifications and experience of catastrophic impairment assessors. FSCO struck an expert panel of medical specialists and scientists to review the definition. The current definition of catastrophic impairment was not developed through a formal scientific, medical evidence-based approach. It was established in 1996 and has been relatively unchanged since.

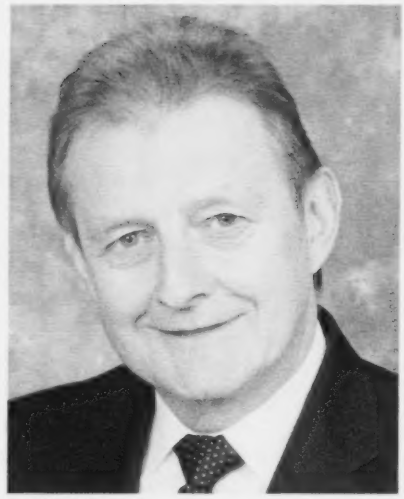
As part of the package of auto insurance reforms and initiatives, the panel delivered two reports in 2011, including recommendations on changes to the definition, as well as qualifications and experience requirements for those who conduct catastrophic impairment assessments. Following consultations on these reports, the Superintendent of Financial Services submitted a report to the Minister of Finance on the definition of catastrophic impairment and the qualifications and experience of catastrophic impairment assessors. The aim is to improve the fairness and predictability of the process for determining catastrophic impairments to ensure that individuals who are most seriously injured receive appropriate treatment.

Fostering National Regulatory Coordination

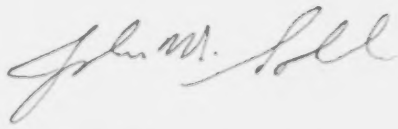
FSCO works with financial services regulators across Canada to advance a coordinated national approach to regulatory issues. In 2011-12, Ontario and Quebec signed the Agreement Respecting Multi-Jurisdictional Pension Plans, bringing it into force for nearly two thirds of Canadian pension plans with members in more than one jurisdiction. The Canadian Council of Insurance Regulators also released a position paper on the Managing General Agencies Distribution Channel in the Life Insurance Industry. As part of the Canadian Mortgage Broker Regulators Group, FSCO agreed to a mandate for an interjurisdictional regulatory association for a more coordinated approach to harmonize mortgage broker regulation.

Commitment to Continuous Improvement

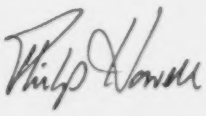
The results outlined in this report create a foundation for future progress. Moving forward, FSCO will strengthen its risk-based approach to regulation, measure performance more closely to drive continuous service improvement, and increase collaboration with other Canadian financial services regulators. This will enable FSCO to continue delivering its mandate to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors.



Philip Howell
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario



John M. Solursh
Chair, Financial Services Commission of Ontario
Chair, Financial Services Tribunal



Philip Howell
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

FSCO's Mandate, Governance and Resources

The Financial Services Commission of Ontario (FSCO) is a regulatory agency of the Ontario Ministry of Finance, established by the Financial Services Commission of Ontario Act, 1997 (FSCO Act). FSCO is an integrated regulator which oversees insurance, pension plans, mortgage brokering, credit unions and caisses populaires, co-operative corporations, and loan and trust companies in Ontario.

FSCO has a legislative mandate to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors. As an organization, it is committed to being a progressive and fair regulator, supporting a healthy and competitive financial services marketplace.

FSCO is comprised of a five-member Commission, the Superintendent of Financial Services and staff.

COMMISSION MEMBERSHIP AND PURPOSES

As set out in the FSCO Act, the Commission includes: the Chair and two Vice-Chairs appointed by the Lieutenant Governor in Council under the FSCO Act; the Director of Arbitrations in the automobile insurance dispute resolution system, appointed by the Lieutenant Governor in Council under the Insurance Act; and the Superintendent of Financial Services appointed under the Public Service of Ontario Act, 2006. The Superintendent is also FSCO's Chief Executive Officer (CEO).

The FSCO Act establishes the purposes of the Commission as to:

- provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors;
- make recommendations to the Minister of Finance on matters affecting the regulated sectors; and
- provide the resources necessary for the proper functioning of the Financial Services Tribunal, also established by the FSCO Act.

The members of the Commission during 2011-12 were:

- John M. Solursh (Chair)
- Anne Corbett (Vice-Chair)
- Florence Holden (Vice-Chair)
- Tom Golfetto (Director of Arbitrations)
- Philip Howell (Superintendent of Financial Services and CEO)

SUPERINTENDENT AND STAFF

Under the FSCO Act, the powers and duties of the Superintendent of Financial Services include:

- generally supervising the regulated sectors;
- administering and enforcing the FSCO Act and other legislation governing the regulated sectors; and
- being responsible for FSCO's financial and administrative affairs.

The FSCO Act also provides for the appointment under the Public Service of Ontario Act, 2006 of employees necessary for the proper conduct of the Commission's affairs. The Superintendent may delegate any of his powers or duties to a FSCO employee.

FINANCIAL SERVICES TRIBUNAL

The Financial Services Tribunal (FST) is an expert, independent adjudicative body that hears appeals from decisions and reviews proposed decisions by the Superintendent of Financial Services or other authorized entities. The Chair and Vice-Chairs of the Commission are also the Chair and Vice-Chairs of the FST. A report on the FST's activities in 2011-12 appears later in this document.

GOVERNANCE AND MANAGEMENT PROCESSES

The foundation for FSCO's corporate governance is provided by Ontario's Agency Establishment and Accountability Directive (AEAD) and the Memorandum of Understanding (MOU) between the Minister of Finance, the Chair of the Commission and the Superintendent of Financial Services/Chief Executive Officer. The MOU outlines the accountability framework between the Minister and FSCO, establishes tools for governance and accountability and explains roles, relationships and mutual expectations. The MOU is updated every five years or more often if necessary.

The Commission meets quarterly and reviews and approves key planning, strategic and accountability documents, including FSCO's Agency Business Plan, Results-Based Plan, Risk Mitigation Plan, Statement of Priorities and Annual Report. Commission members are also invited to attend FSCO's Audit and Risk Committee meetings.

FSCO has established a series of on-going internal committees on various policy and operational issues, which are listed in Table 1. These staff committees play a key role in FSCO's day-to-day activities. Internal steering committees have also been created to guide key projects that involve different units or affect a number of areas within FSCO.

Strong Links with Stakeholders

FSCO engages a broad range of stakeholders to keep pace with changing marketplace realities, respond effectively to emerging challenges and streamline the regulatory system. Committees and advisory groups have been created in the pensions, insurance, co-operative corporations, credit union and mortgage brokering sectors, together with a consumer advisory committee, to keep lines of communication open. These advisory groups represent stakeholder groups from associations, organizations, professional bodies, consumers and other interested stakeholders.

Ontario

Table 1 - FSCO Staff Committees	
Committee	**Functions**
Executive Committee	Provides strategic leadership and management to the organization and makes recommendations and decisions on organizational matters including financial and human resource issues.
Audit and Risk Committee	Oversees the quality of FSCO's internal controls to ensure compliance with policies and procedures; ensures FSCO has implemented appropriate systems of internal control over financial reporting.
Corporate Management Committee	Leads and participates in strategic initiatives established by the Executive Committee; develops solutions to address policy and other matters identified by the Executive Committee; and coordinates and assists the Executive Committee in organizational priority setting, resourcing and operational planning.
Auto Insurance Policy	Examines auto insurance policy issues and makes recommendations to the CEO.
Pension Policy	Discusses issues involving pension policy and makes recommendations to the CEO.
Insurance and Deposit Institutions Policy Committee	Reviews and discusses policy issues concerning consumers, registrants and licensees in the insurance, credit union and caisse populaire, co-operative and mortgage brokering sectors and makes recommendations to the CEO.
Corporate Policy Coordination	Coordinates policy issues across sectors, leads policy development items through the conceptual stages, and coordinates the flow of corporate policy items to the CEO.
Compliance Coordination	Shares information between FSCO's program areas and coordinates regulatory efforts concerning market conduct in the financial services industry.
Health and Safety	Promotes a healthy and safe work environment at FSCO in accordance with the government's Occupational Health and Safety Directive.
Business Continuity	Assists with the development and maintenance of FSCO's business continuity plan and ensures that FSCO's staff and assets are protected in emergencies.
Local Employee Relations	Fosters on-going, effective and productive communication between FSCO and the Ontario Public Service Employees Union (OPSEU).

Maintaining Accountability

Financial Reporting

As an Ontario government agency, FSCO receives an annual spending authority through the government planning process, based on its needs and government priorities. FSCO files quarterly reports on its spending. The Office of the Auditor General of Ontario audits FSCO's annual financial statements, which appear later in this report.

Auditor General's Report

The 2011 report contained a review of the automobile insurance system in the province. FSCO has already initiated several measures to address the recommendations in the Report; these will continue to strengthen regulatory oversight. Detailed information on these are provided later in this report.

Performance Management

FSCO works to continuously improve performance throughout the organization and deliver services in a cost-efficient and effective manner. FSCO's Performance Management Framework is designed to ensure that the organization:

- provides great transparency, accountability and value-for-money;
- measures what it does and focuses on results that matter; and
- defines success and delivers on strategic outcomes.

The framework contains FSCO's strategic outcomes and accompanying performance measures. A combination of qualitative and quantitative measures gauges the success of short-to-medium term activities against long-term objectives. The measures were updated during the year and will be reviewed and revised as required on an annual basis to adapt to changing conditions.

The service standards outlined in the **Getting the Most from Organizational Resources** section of this Annual Report are a component of the Performance Management Framework. Additional details on the Performance Management Framework are published on FSCO's website.

Annual Report

Under the FSCO Act, FSCO must file an Annual Report with the Minister of Finance each year. This is FSCO's 14th Annual Report.

Statement of Priorities

By June 30 each year, FSCO is required by the FSCO Act to deliver a Statement of Priorities to the Minister of Finance and publish it in The Ontario Gazette. The Statement of Priorities sets out FSCO's priorities, strategies and initiatives for the current fiscal year and also includes a report-back on key results from the previous year. Each spring, FSCO posts the draft Statement of Priorities on its website and invites written submissions on the proposed directions.

As expressed in the June 2011 Statement, FSCO's priorities for 2011-12 were:

- risked-based delivery;
- foster a coordinated national approach to regulatory issues; and
- continuous service improvement.

FSCO adopted strategies and undertook initiatives to advance these priorities, as sketched on the Strategic Map (Chart 1). Highlights of progress are presented in the **FSCO at Work** section of this Annual Report. Some of the projects are longer-term and will continue into the next year. FSCO provides regular updates to stakeholders on the status of these projects.

HUMAN AND FISCAL RESOURCES

FSCO has a staff complement of 480. This increased by 29 in 2011-12 with the transfer of information and information technology staff to FSCO from the Central Agencies Cluster in the Ministry of Government Services. The total does not include Legal Services staff, who are employees of the Ministry of the Attorney General.

In 2011-12, FSCO's expenditures totaled $65.2 million, up 4 per cent from the previous year. The spending increase was due to information technology investments and financial obligations under collective agreements.

Recovering FSCO's Costs

FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. Under the FSCO Act, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the Commission and the Tribunal. The Minister of Finance is authorized to establish fees with respect to the regulated services provided by FSCO.

Ontario

Chart 1 – 2011-12 FSCO Priorities, Strategies, Initiatives at a Glance

LEGISLATIVE MANDATE	To provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors.
VISION	To be an effective regulator that protects the public interest and supports a strong financial services sector.
PRIORITIES	***Risk-Based Delivery*** ***Continuous Service Improvement*** ***Foster a Coordinated National Approach to Regulatory Issues***

STRATEGIES	**Review and recommend changes to better mitigate risk**	**Increased efficiency, effectiveness and transparency**	**Communicate, share knowledge and engage our staff and stakeholders**	**Coordinate with other Canadian regulators in the financial services industry**
INITIATIVES	• Conduct market conduct audit reviews of compliance with the 2010 auto insurance reforms including Statutory Accident Benefits. • Work with stakeholders to identify measures that will reduce fraud and abuses in the auto insurance industry. • Undertake long-term initiatives from the 2010 auto insurance reforms – Minor Injury Treatment Protocol, Catastrophic Impairment definition, and closed claims study. • Consider additional tools in enforcement of insurance regulation such as administrative monetary penalties. • Perform market conduct review of suitability of product recommendations for insurance. • Implement an enhanced risk-based regulation approach for pension plans. • Increase compliance by mortgage brokerages. • Work with the Ministry of Finance on five year statutory reviews of the Mortgage Brokerages, Lenders and Administrators Act, 2006 and the Credit Unions and Caisses Populaires Act, 1994.	• Continue to build an enterprise licensing and stakeholder relationship system. • Expand the use of online portal for pension plan administrators and other parties to obtain information and submit additional prescribed documents online. • Develop electronic records management of pension documentation for access by external and internal stakeholders. • Initiate electronic mediation scheduling and explore feasibility of private sector mediation/ arbitration service providers to assist with increased workload resolution services. • Increase regulatory efficiency and effectiveness in solvency regulation of insurance companies.	• Raise awareness of filing requirements and the relevant legislation and regulations by planning and hosting an information session for insurance company representatives. • Develop new online media channels to engage stakeholders. • Continue to enhance pension stakeholder outreach and education.	• Work with Ministry of Finance to review major parts of the Insurance Act such as life insurance and accident and sickness insurance, as well as other insurance-related legislation. • Examine CCIR recommendations to reflect changes in distribution channels. • Participate in a Working Group established by CCIR to gather the facts surrounding the use of credit information by insurers.

The Regulated Sectors in Profile

Together, the financial services sectors regulated by FSCO represent a large, stable and dynamic industry that underpins Ontario's economy and quality of life. The industry delivers products and services that support the financial security of individuals and families and the financial stability of businesses and other organizations. It also employs a sizable work force.

PENSION PLANS

Employment pension plans represent a major source of retirement income for Ontarians, beyond publicly funded programs. Offering these programs helps employers recruit and retain a skilled work force. As the second-largest source of investment capital in Canada after the chartered banks, pension plans contribute to economic growth.

Pension plans fall into the following categories:

- **Defined benefit plans** provide a pre-determined level of benefits during retirement.
- **Defined contribution plans** set the amount of contributions and provide benefit payments based on the amount of pension that can be purchased with the accumulated contributions plus investment returns.
- **Multi-employer pension plans (MEPPs)** allow two or more unrelated employers to contribute to a single pension fund and recognize a member's service with all participating employers when determining benefits. MEPPs have usually been established in industries or trades where workers change employers frequently and have a common union affiliation (for example, carpenters or painters). While most MEPPs have been created through negotiations, some have been established by statute or municipal by-law. MEPPs can be either defined benefit or defined contribution plans. Defined benefit MEPPs created through negotiations are also referred to as target benefit pension plans. In these plans the defined benefits may be reduced if there are funding shortfalls.
- **Jointly sponsored pension plans (JSPPs)** are pension plans where the employer (or employers) and the members jointly share responsibility for the plan including plan governance and the funding of any deficits as they arise. JSPPs can be either single employer or multi-employer plans. Most JSPPs are very large public sector plans, such as those for teachers or municipal workers.

Some defined benefit plans are **hybrid plans** combining defined benefit and defined contribution provisions.

As of March 31, 2012, the number of pension plans totaled 7,775, virtually unchanged from a year earlier. Active plan membership increased approximately 1 per cent to 2,134,000 (See Table 2). Active plan members are those currently earning pension benefits. Plan membership also includes retired members, deferred members and other beneficiaries.

While MEPPs and JSPPs represented less than 2 per cent of registered plans at year end, they accounted for 52 per cent of active plan members. Defined benefit plans (single employer, multi-employer or jointly sponsored) accounted for 82 per cent of active plan members, a slight decrease from prior years.

For the 10-year trend in pension plans and membership, see Table 3 and Charts 2 and 3.

The market value of assets in Ontario-registered pension plans was estimated at $410 billion in 2010, reflecting a 15 per cent increase from $357 billion in 2009 and a 28 per cent increase from 2008. In all three years, 97 per cent of assets were held in defined benefit plans.

Chart 2 – Total Number of Pension Plans 2003-2012

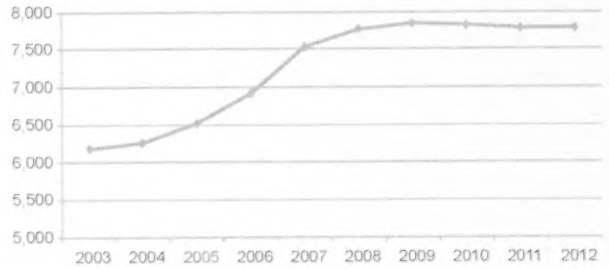


Chart 3 – Total Number of Pension Plan Members 2003 - 2012

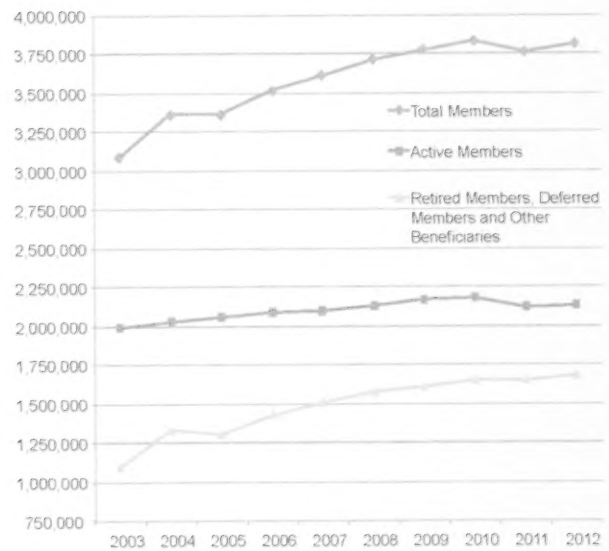


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Table 2 – Ontario-Registered Active Pension Plans and Membership				
Pension Plan Type	**As of March 31, 2012**		**As of March 31, 2011**	
	#	% of Total	#	% of Total
Single Employer Plans*	7,646	98%	7,646	98%
Defined Benefit Plans*	4,419	57%	4,402	56%
Members**	1,283,000	34%	1,288,000	34%
Active Members***	661,000	31%	667,000	31%
Retired Members, Deferred Members and Other Beneficiaries****	622,000	37%	621,000	38%
Defined Contribution Plans*	3,227	41%	3,244	42%
Members**	399,000	11%	395,000	10%
Active Members***	343,000	16%	340,000	16%
Retired Members, Deferred Members and Other Beneficiaries****	56,000	3%	55,000	3%
Multi-Employer Plans*	118	2%	121	2%
Defined Benefit Plans*	77	1%	82	1%
Members**	822,000	22%	828,000	22%
Active Members***	365,000	17%	375,000	18%
Retired Members, Deferred Members and Other Beneficiaries****	457,000	27%	453,000	27%
Defined Contribution Plans*	41	1%	39	1%
Members**	56,000	1%	51,000	1%
Active Members***	32,000	1%	30,000	1%
Retired Members, Deferred Members and Other Beneficiaries****	24,000	1%	19,000	1%
Jointly Sponsored Plans*	11	0%	7	0%
Defined Benefit Plans*	11	0%	7	0%
Members**	1,255,000	33%	1,207,000	32%
Active Members***	732,000	34%	706,000	33%
Retired Members, Deferred Members and Other Beneficiaries****	522,000	31%	501,000	30%
Total Pension Plans*	7,775	100%	7,774	100%
Total Members**	3,815,000	100%	3,769,000	100%
Active Members***	2,134,000	100%	2,118,000	100%
Retired Members, Deferred Members and Other Beneficiaries****	1,681,000	100%	1,651,000	100%

* *Percentages expressed as a percentage of the total number of Plans.*
** *Percentages expressed as a percentage of the total number of Members in all Plans.*
*** *Percentages expressed as a percentage of the total number of Active Members in all Plans.*
**** *Percentages expressed as a percentage of the total number of Retired Members, Deferred Members and Other Beneficiaries in all Plans.*

Notes: (1) Membership numbers rounded to the nearest thousand.
(2) Percentages may not add up due to rounding.
(3) Data on defined benefit plans includes hybrid/combination plans with both defined benefit and defined contribution components.
(4) Percentages for JSPPs are reported as zero as they represent less than 0.1%.

Table 3 – Pension Plans and Membership 2003-2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total Pension Plans	6,176	6,254	6,518	6,913	7,539	7,764	7,848	7,835	7,774	7,775
Total Members	3,089,756	3,363,021	3,366,529	3,516,946	3,615,000	3,713,000	3,776,000	3,837,000	3,769,000	3,815,000
- Active Members	1,993,670	2,025,515	2,056,736	2,093,949	2,104,000	2,130,000	2,168,000	2,184,000	2,118,000	2,134,000
- Retired Members, Deferred Members, Other Beneficiaries	1,096,086	1,337,506	1,309,793	1,422,997	1,511,000	1,583,000	1,608,000	1,653,000	1,651,000	1,681,000

INSURANCE

Insurance is a $42 billion a year business in Ontario. In 2011, the industry recorded a 5 per cent increase in total premium volume, compared with the year before. The business of property and casualty (P&C) insurers grew by 10 per cent, reflecting continued economic recovery. As in prior years, automobile insurance accounted for more than half of P&C premiums (See Chart 4).

On March 31, 2012, 350 insurance companies held licences to operate in Ontario (See Chart 5). In addition, 45,991 insurance agents – including 6,821 general insurance agents, 38,295 life insurance agents and 875 accident and sickness insurance agents – were licensed, together with 4,636 corporate insurance agencies and 1,543 insurance adjusters.

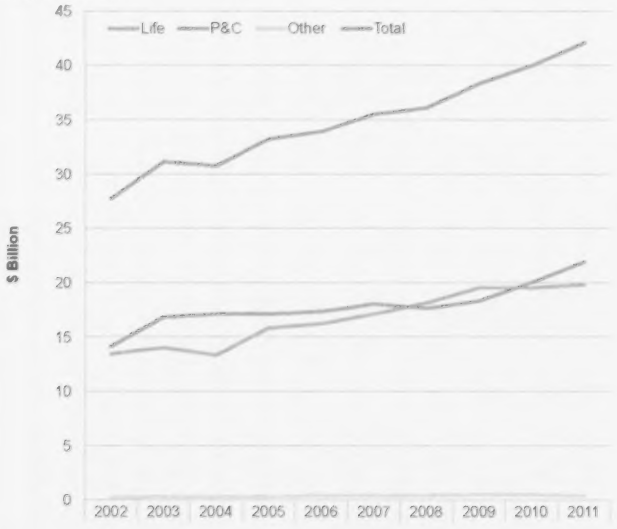
Most insurance business in the province is conducted by federally incorporated companies that are subject to prudential regulation by the federal Office of the Superintendent of Financial Institutions (OSFI). The number of Ontario-incorporated insurance companies has been steadily declining, falling to 65 as of March 31, 2012. Over the past 10 years, more than a dozen Ontario-incorporated insurers have ceased operations or continued under federal or Quebec law for operational or strategic reasons. In 2011-12, three Ontario-incorporated companies – one life insurer and two P&C insurers – changed their regulatory jurisdiction. Other companies have advised FSCO that they are considering this option (See Charts 6 and 7).

DEPOSIT INSTITUTIONS, MORTGAGE BROKERING, CO-OPERATIVE CORPORATIONS

Credit Unions and Caisses Populaires

The credit unions and caisses populaires sector is undergoing transformation as it adjusts to meet member needs. In 2011-12, the total assets of credit unions and caisses populaires increased while the number of units decreased, continuing the trend toward amalgamation (See Charts 8 and 9). As of March 31, 2012, Ontario's 152 credit unions and caisses populaires held total assets of $35.4 billion. Total membership across the sector remained about 1.6 million, consistent with the past few years (See Table 4).

Chart 4 – Direct Written Insurance Premiums in Ontario 2002 - 2011



Ontario

Chart 5 – Total Number of Insurance Companies in Ontario 2003 - 2012

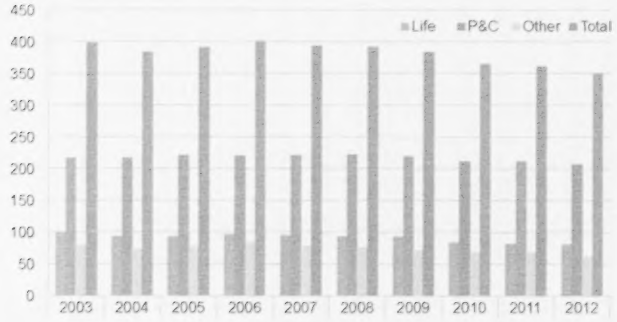
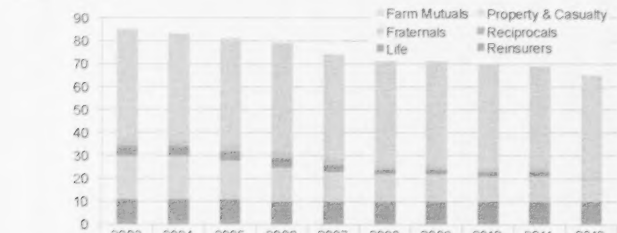
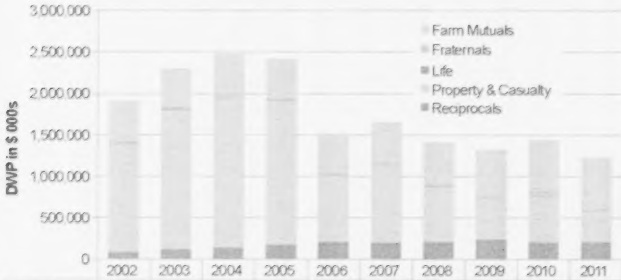


Chart 6 – Total Number of Ontario-Incorporated Insurers 2003 - 2012



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Farm Mutuals	48	46	46	47	45	45	45	45	44	44
Fraternals	3	3	3	3	3	2	2	2	2	2
Life	4	4	4	4	3	2	2	2	2	0
P&C	19	19	17	15	13	12	12	11	11	9
Reciprocals	9	9	9	8	8	8	8	8	8	8
Reinsurers	2	2	2	2	2	2	2	2	2	2

Chart 7 – Ontario-Incorporated Insurers Direct Written Premiums, 2002 - 2011



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Farm Mutuals	479,615	447,852	486,246	461,219	466,932	493,896	499,863	536,971	598,577	623,723
Fraternals	33,459	32,478	32,845	30,509	32,433	33,139	29,627	49,350	72,346	33,708
Life	6,686	7,021	6,232	785	4,895	4,572	4,256	4,058	4,459	0
P & C	1,302,710	1,690,853	1,808,616	1,741,461	795,788	920,156	662,070	484,570	546,643	361,016
Reciprocals	87,692	119,952	144,953	174,707	215,335	204,534	215,075	242,692	214,214	214,835

Table 4 – Ontario Credit Unions and Caisses Populaires

Measure	As of March 31, 2012	As of March 31, 2011
Institutions with Assets over $50 Million		
– Number	91	92
– Assets	$34.1 billion	$30.6 billion
– Membership	1,505,893	1,465,167
Institutions with Assets under $50 Million		
– Number	61	74
– Assets	$1.3 billion	$1.2 billion
– Membership	121,530	132,341
All Institutions		
– Number	152	166
– Assets	$35.4 billion	$31.8 billion
– Membership	1,627,423	1,597,508

Chart 8 – Total Number of Ontario Credit Unions 2003 - 2012

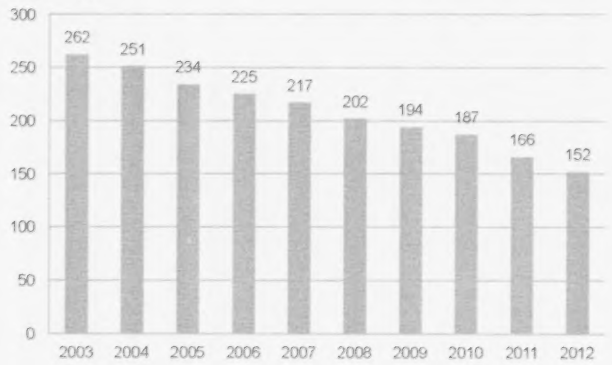
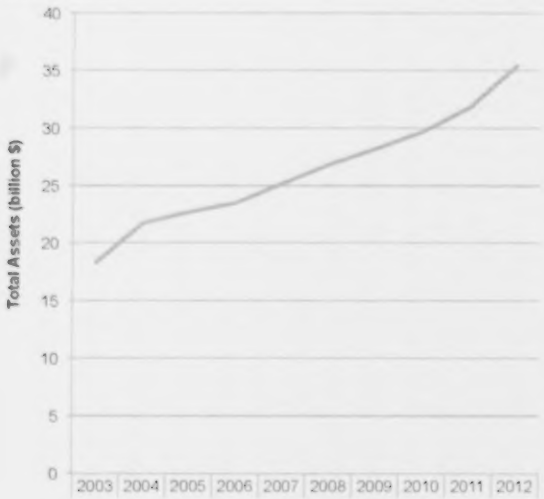


Chart 9 – Ontario Credit Unions - Total Assets 2003 - 2012



Loan and Trust Companies

Fifty-eight loan and trust companies were registered to operate in Ontario as of March 31, 2012, one more than a year earlier. All were federally incorporated, which is a requirement for registration.

Mortgage Brokering

Also at year end, Ontario had 1,178 licensed mortgage brokerages, with 2,357 brokers and 7,394 agents. The number of brokerages was down 2 per cent from the previous year (See Chart 10). Ninety-two mortgage administrators held licences, eight more than the year before (See Chart 11).

Co-operative Corporations

Co-operative corporations carry on enterprises on a co-operative basis as defined under the Co-operative Corporations Act. Forty-six new co-operatives incorporated during 2011-12: 27 in services, seven in housing development, five in renewable energy, three worker co-operatives, two in farming, one daycare and one consumer co-operative (See Chart 12).

Chart 10 – Total Number of Ontario Mortgage Brokerages 2009 - 2012

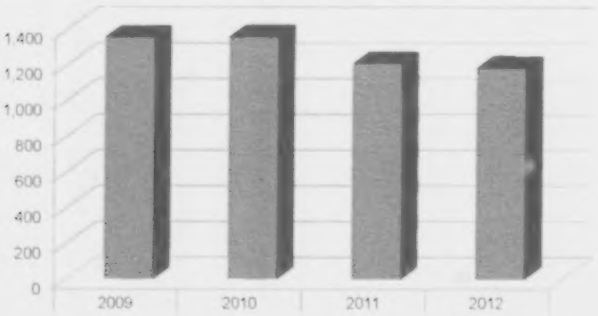


Chart 11 – Total Number of Ontario Mortgage Administrators 2009 - 2012

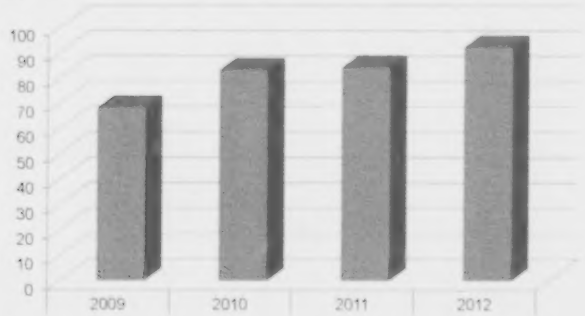
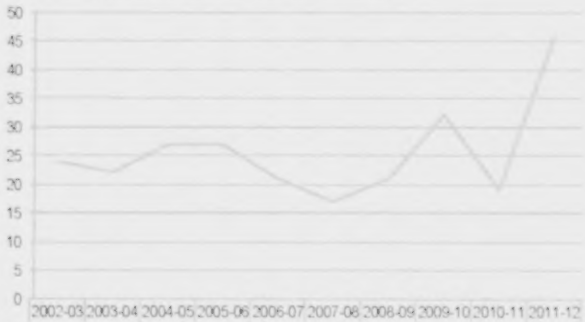


Chart 12 – Total Number of Ontario Co-operatives - New Incorporations 2002/03 to 2011/12



FSCO at Work

Ontario

FSCO's primary objectives are to protect consumers, increase compliance with legislation and regulations and foster public confidence in the regulated sectors. The following overview covers FSCO's business activities during 2011-12 in seven areas:

- Overseeing pension plans
- Licensing, monitoring and enforcement across sectors
- Regulating the automobile insurance system
- Resolving disputes over automobile accident benefits
- Developing regulatory policy
- Educating consumers
- Getting the most from organizational resources

OVERSEEING PENSION PLANS

Employment pension plans registered in Ontario must meet minimum standards for administration and funding under the Pension Benefits Act and regulations. FSCO monitors and enforces compliance with the legislation and regulations and advises the government on pension issues. As well, FSCO administers a guarantee fund that protects a minimum level of benefits in most private single employer defined benefit plans if the employer is insolvent.

Modernizing the Pension System

Ontario is updating its employment pension system while balancing the interests of pensioners, active plan members and plan sponsors. With the passage by the legislature of two major pension reform packages in 2010, the modernization of the system is well underway.

The 2012 Ontario Budget announced that many of the reforms would take effect on July 1, 2012, including:

- Immediate vesting of pension benefits;
- Elimination of partial wind-ups – removing much uncertainty and complexity from the process of winding up plans;
- Extended eligibility for grow-in benefits – so that employees with age plus service equalling 55 or more will be entitled to enhanced early retirement provisions upon termination of employment by the employer;
- Allowing multi-employer and jointly sponsored pension plans to elect not to provide grow-in benefits;
- Recognizing "retired members" as a distinct group of pension plan beneficiaries; and
- Clarifying surplus rules.

FSCO assisted the Ministry of Finance to develop the above reform measures by providing technical advice, and identifying regulatory and compliance issues. FSCO also began to prepare a communications plan to inform stakeholders of the changes when the new legislation and regulations take effect.

In June 2011, the government issued a regulation on family law matters. This established new rules for valuing and dividing pension assets on the breakdown of a spousal relationship, effective January 1, 2012. FSCO staff advised the Ministries of Finance and the Attorney General as they developed the regulation, and held consultations with key stakeholders on the new rules (see the section **Consultations on Spousal Relationship Breakdown**).

Processing Transactions and Filings

Under the Pension Benefits Act, the Superintendent of Financial Services makes regulatory decisions on various pension plan transactions, from initial registration to full wind-up. Some of these powers have been delegated to staff. Table 5 lists key plan transactions dealt with by FSCO during 2011-12.

The number of full wind-ups of pension plans remained relatively high at 305 in 2011-12. Some of the factors involved were: termination of Individual Pension Plans (IPPs)[1] by employers following changes in federal income tax rules; wind-ups resulting directly from the insolvency of the employer; and replacement of defined contribution plans with group registered retirement savings arrangements not subject to the Pension Benefits Act.

FSCO also processes six prescribed filings:

- Annual Information Returns
- Investment Information Summaries
- Actuarial Funding Valuation Reports
- Actuarial Information Summaries
- Pension Benefits Guarantee Fund Assessment Certificates
- Pension Fund Financial Statements.

In all, more than 20,000 filings are processed each year.

If a plan's sponsor becomes insolvent, the Superintendent usually appoints a third-party administrator to ensure the plan is properly wound up. As of March 31, 2012, FSCO was coordinating the administration of 200 plans for insolvent companies, up slightly from 187 a year earlier.

Monitoring Pension Plans' Financial Status

FSCO monitors the financial status of defined benefit pension plans by reviewing and analyzing information on their funding and investments. A risk-based approach is taken to identify and focus on higher-risk plans, fostering efficient and effective use of regulatory resources.

1 An IPP is a pension plan for a specifically named individual. IPPs can be either defined benefit or defined contribution plans and are typically set up for connected persons or highly paid employees.

Table 5 – Pension Plan Transactions Processed		
Type	**2011-2012**	**2010-2011**
New Plans Registered		
Single Employer Plans		
Defined Benefit	195	245
Defined Contribution	92	66
Multi-Employer Plans		
Defined Benefit	-	1
Total	287	312
Plan Amendments Registered	1,859	1,973
Full Wind-Ups Processed		
Single Employer Plans		
Defined Benefit	193	157
Defined Contribution	111	107
Multi-Employer Plans		
Defined Contribution	1	1
Total	305	265
Partial Wind-Ups Processed		
Single Employer Plans		
Defined Benefit	19	44
Defined Contribution	21	38
Multi-Employer Plans		
Defined Benefit	1	1
Defined Contribution	5	4
Total	46	87
Plan Mergers/Asset Transfers Approved		
Single Employer Plans		
Defined Benefit	24	30
Defined Contribution	33	39
Multi-Employer Plans		
Defined Benefit	1	2
Defined Contribution	1	1
Jointly Sponsored Plans		
Defined Benefit	-	1
Defined Contribution	1	-
Total	70	73
Surplus Refunds to Employers on Full Wind-Up Applications Processed		
Single Employer Plans		
Defined Benefit	7	6
Defined Contribution	-	1
Total	7	7
Surplus Refunds to Employers on Partial Wind-Up Applications Processed		
Single Employer Plans		
Defined Benefit	4	8
Total	4	8

Since 2000, FSCO has compiled and maintained a database of key actuarial and financial data drawn from valuation reports. This was further supplemented starting in 2006 with the collection of information on pension fund investments. FSCO screens this data using selective risk-based review systems to detect plans that should be considered for more detailed review.

Some of the problems found by these systems during 2011-12 were:

- Significant deterioration in funded status;
- Significant gains or losses relative to actuarial assumptions;
- Non-compliance with minimum funding or investment requirements;
- Delinquent contributions;
- Weak actuarial methods and assumptions;
- Poor relative investment performance;
- Significant mismatch between assets and liabilities.

FSCO followed up where a detailed review revealed material compliance concerns. In almost all cases, issues were resolved through steps taken by plan sponsors, administrators and actuaries. FSCO took enforcement action if plans remained non-compliant.

A summary of pension plan funding and investment information can be found in FSCO's 2011 Report on the Funding of Defined Benefit Pension Plans in Ontario – Eighth Annual Report. This was published in March 2012 and appears on FSCO's website.

On-Site Examinations

FSCO performed on-site examinations of 50 pension plans during 2011-12, two more than the year before. Of the 50 plans, 28 were defined benefit plans, four were defined contribution plans and 18 were hybrid or combination plans with both defined benefit and defined contribution components. Three of the plans reviewed were multi-employer plans. Plans were chosen for examination through the risk-based funding and investment monitoring programs, as well as on the basis of risk profiles in FSCO's pension plans database.

In addition, FSCO examined the policies and procedures of eight major pension fund trustees concerning their contribution reporting obligation. The legislation requires a trustee to notify the

Ontario

Superintendent of Financial Services when a plan administrator does not provide a summary of contributions to the trustee, or a pension plan contribution is not paid when it becomes due.

Improving Pension Regulatory Services

In 2008, FSCO launched a multi-year project on Improving Pension Regulatory Services in response to issues raised by the Expert Commission on Pensions and various stakeholders. The project includes five initiatives. Three – Stakeholder Engagement, Defined Benefit Application Processing, and Inquiries and Complaints – have been incorporated into FSCO's ongoing business operations. The two other projects – Pension System Enhancement and Development, and Risk-Based Regulation Framework – continued throughout 2011-12. As part of its ongoing stakeholder communications, FSCO published the third annual update to the industry on efforts to improve pension regulatory services, and the next steps.

Enhanced Stakeholder Engagement and Outreach

FSCO regularly engages with six pension advisory committees – the Administrator, Accounting and Assurance, Actuarial, Investment, Legal, and Multi-Employer Pension Plan committees – as well as representatives of various groups in the pension community and interested members of the public. FSCO reached out to these stakeholders through a combination of regular meetings, special working sessions and webinars. In addition, the redesign of FSCO's website increased access to information about specific plans and provided more information about pensions than ever before.

FSCO meets twice a year with each advisory committee and hosts an annual Pension Forum that brings together the members of all six committees. This year's forum, held in January 2012, focused on pension innovations. In March 2012, FSCO met with representatives of retiree groups, public sector pension plans, pension organizations and organized labour to update them on FSCO's activities and seek their input on priorities.

Consultations on Spousal Relationship Breakdown

As noted above, Ontario has new rules for the valuation and division of pension assets on breakdown of a spousal relationship. When the regulations were released in draft form, FSCO held a special meeting for members of the advisory committees to review them and suggest changes. The session was attended by Ministry of Finance staff.

FSCO was responsible for developing numerous new forms for completion by spouses and plan administrators at the various steps of the new process. To support this effort, FSCO held meetings during summer 2011 with representatives of plan administrators and legal, actuarial and pension organizations. FSCO also posted the draft forms on its website in September 2011 to seek public feedback. With this input, FSCO completed the task and posted the final forms in December 2011.

In addition, FSCO developed and posted detailed instructions on completing each form, together with frequently asked questions. Two webinars were held on the implications of the new rules for plan administrators and plan members as well as former members, retired members and their spouses and former spouses. Staff answered inquiries from stakeholders, and continue to do so.

Pension System Enhancement and Development

In consultation with the pension advisory committees and stakeholder groups, FSCO is working to strengthen its information and information technology capabilities to become a more effective and efficient regulator.

In March 2010, FSCO launched the Pension Services Portal on its website, enabling an electronic filing option (e-filing) of Annual Information Returns. As work on the portal proceeded, e-filing became available for all the remaining prescribed filings – Investment Information Summaries, Pension Benefit Guarantee Fund Assessment Certificates, Pension Fund Financial Statements, Actuarial Funding Valuation Reports and Actuarial Information Summaries – by December 2011. Pension plan administrators and their agents are now able to submit all their prescribed filings electronically via a secure web-based application. In March 2012, FSCO announced that pension plans will be required to e-file all prescribed filings, effective January 1, 2013.

Risk-Based Regulation Framework

In fall 2009, FSCO launched a project to develop a more comprehensive risk-based approach to the supervision of pension plans. The goal is to improve plan monitoring so FSCO can better detect and focus resources on higher-risk plans. Under the new approach, funding and investment data will be reviewed in a more integrated way, and governance, administration and sponsor or industry risks will be incorporated into the risk assessment process.

In 2011-12, FSCO completed stakeholder consultations and made revisions to the proposed Risk-Based Regulation Framework to reflect the comments and feedback received. The final framework was posted on FSCO's website in November 2011.

Since summer 2011, FSCO has made solid progress on the steps needed to make the new framework operational, including:

- elements of the risk-based process – such as risk indicators and measures, risk assessment methods and regulatory responses;
- supporting business and system processes;
- key performance indicators for assessing the framework's effectiveness; and
- implementation plans for the framework and processes.

Pilot projects were undertaken to conduct reviews of financial risks (funding and investment) and operational risks (administration and

governance). The results will help develop detailed risk assessment methods and documentation standards.

The Toronto Centre, which provides leadership training for financial regulators from around the world, invited FSCO to present and lead a case study on the new risk-based pension regulation framework. The session is scheduled for the centre's International Program for Insurance and Pension Supervisors in July 2012.

Defined Benefit Application Processing

FSCO completed an initiative to address longstanding defined benefit applications related to plan mergers, asset transfers, and partial wind-ups involving surplus assets. FSCO streamlined processes for review of such applications and revised and published performance targets. Results against these new measures will be published on FSCO's website in fall 2012.

Responding to Inquiries and Complaints

FSCO continued to improve procedures and information systems for processing, tracking and reporting pension-related inquiries and complaints. During the year, FSCO's Pension Division received a total of 13,256 pension inquiries, with 3,380 from plan members inquiring about their plans and rights under the Pension Benefits Act. The average response time to the inquiries from plan members was nine days – well below the target of 15 days. These inquiries included 197 complaints against plan administrators that FSCO reviewed to ensure compliance with the Pension Benefits Act, regulations and plan documents.

FSCO's Consumer Services Unit also responded to 4,220 pension-related inquiries, as well as 28,702 inquiries concerning financial hardship unlocking (See Chart 16).

Pension Regulatory Costs

The average cost of all pension regulatory activities combined – such as monitoring plan funding, processing transactions and filings, and responding to inquiries – was $4.52 per plan member (including active, retired and deferred members and other beneficiaries). This was virtually unchanged from the previous year.

Financial Hardship Unlocking

Funds transferred from a registered pension plan into a locked-in account can normally be used only for retirement income. However, locked-in account holders are permitted to withdraw money in cases of financial hardship, with the consent of the Superintendent of Financial Services. The volume of financial hardship unlocking applications increased sharply with the start of the recession in fall 2008 and has remained high (See Table 6).

In response to the economic downturn, the government waived application fees for financial-hardship unlocking as of April 1, 2009. The 2012 Ontario Budget announced the government's intention to streamline the application process by eliminating the requirement for the Superintendent's consent. Details on this change are pending.

Table 6 – Financial Hardship Unlocking Applications Processed

	2011-2012	2010-2011
Applications Approved	13,546	14,022

Table 7 – Pension Benefits Guarantee Fund Claims

	2011-2012	2010-2011
Number of Pension Plan Claims	17	19
Total Amount Paid	$442,596,757	$55,312,899

Pension Benefits Protected

The Pension Benefits Guarantee Fund (PBGF) protects a minimum level of benefits for Ontario members and beneficiaries of most single employer defined benefit pension plans, should the plan sponsor become insolvent. The Superintendent of Financial Services is responsible for the administration of the PBGF, which is established under the Pension Benefits Act. Table 7 presents the latest claims figures.

Pension plans with guaranteed benefits pay an assessment into the PBGF. The total liability of the PBGF is limited to the assets of the fund, including any loans or grants received from the province. The Office of the Auditor General of Ontario audits the PBGF's annual financial statements, which appear later in this Annual Report.

LICENSING, MONITORING AND ENFORCEMENT ACROSS SECTORS

FSCO licenses or registers individuals and businesses to provide financial services in Ontario. It monitors compliance with legislation and regulations and follows up with enforcement action where necessary. These regulatory services protect consumers and support a competitive marketplace.

Application Volume Increases

Individuals selling insurance, adjusting insurance claims, or brokering mortgages must meet suitability requirements under the relevant statutes, which may include a qualifying examination and continuing education. FSCO reviews applications to ensure requirements are met. In 2011-12, the volume of licensing, registration and other applications involving the provision of financial services totaled more than 38,000 – a 10 per cent increase from the previous year. The increase was due primarily to the two-year renewal cycle for mortgage agent and broker licences (See Table 8).

Labour Mobility for Financial Services Occupations

Effective July 1, 2011, the labour mobility provisions of the nation-wide Agreement on Internal Trade (AIT) apply to financial services occupations across Canada – including insurance agents and adjusters and mortgage brokers and agents. The Ontario Labour Mobility Act, 2009 implements these provisions in Ontario.

Under this legislation, an individual licensed to practise elsewhere in Canada may apply to be licensed in Ontario without being required to demonstrate their experience, or complete additional material training or examinations. As well, individuals can apply for an Ontario licence without having to reside in the province. Applicants still have to meet all other eligibility requirements for an Ontario licence.

The AIT is a two-way street. It is now easier for Ontario practitioners to become licensed across provincial borders.

FSCO worked with regulators in other provinces and territories to prepare for implementation of the AIT. FSCO also developed and posted information on its website to help people from other provinces understand which occupations qualify for education and experience exemptions in Ontario.

Risk-Based Supervision

In the insurance sector, FSCO monitors the solvency of Ontario-incorporated companies as well as the market conduct of all

Table 8 – Licensing Activities

Activity	2011-2012 #	2010-2011 #
Individuals		
New Licences Issued		
Life Insurance Agents	4,904	4,539
General Insurance Agents	1,062	1,182
Accident and Sickness Insurance Agents	548	329
Insurance Adjusters	137	154
Mortgage Brokers	171	214
Mortgage Agents	2,737	3,196
Licences Renewed		
Life Insurance Agents*	12,592	18,245
General Insurance Agents*	2,685	2,899
Accident and Sickness Insurance Agents*	177	169
Insurance Adjusters	1,406	1,259
Mortgage Brokers**	2,398	–
Mortgage Agents**	7,672	–
Corporations		
New Licences Issued		
Life and General Insurance Agencies	366	372
Corporate Insurance Adjusters	8	5
Insurance Companies	4	10
Mortgage Brokerages	111	104
Mortgage Administrators	15	16
New Registrations Issued		
Loan and Trust Companies	1	1
Licences Renewed		
Life and General Insurance Agencies*	1,560	2,337
Corporate Insurance Adjusters	111	80
Co-operatives		
Offering Statements	14	17
Material Change Relating to Offering	1	1
New Incorporations	46	19
Amendments Relating to Incorporation	9	14
Dissolutions/Cancellations	10	11
Conversion to Corporation	-	1
Amalgamation	1	1
Credit Unions/Caisses Populaires		
New Incorporations	–	–
Applications Required for Approval/Filing (including applications for articles of amendment, name changes, by-law amendments, offering statements, etc.)	50	96
Mergers	4	2

* *Insurance licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2011-12 was a low year.*

** *All mortgage broker and agent licences had a common expiry date of March 31, 2012; 2011-12 was a licence renewal year.*

insurers licensed to operate in the province. As well, FSCO keeps watch over business practices in the other regulated sectors.

Taking a risk-based approach, FSCO concentrates its supervisory efforts on areas with the most potential for harm to consumers or public confidence. The goal is to obtain the most value from regulatory resources while minimizing compliance costs for the industry.

Staff use different monitoring tools depending on the compliance issues involved. They evaluate industry filings, conduct market conduct surveys, consider media reports, review and respond to complaints, analyze complaint data and perform desk and on-site examinations.

Prudential Oversight of Insurance Companies

FSCO monitors the solvency of Ontario-incorporated insurers. FSCO relies on other regulators for oversight of companies incorporated federally or in other provinces or operating as a branch in Canada.

The goal of FSCO's solvency supervision is to ensure that insurer obligations to policyholders can be met. FSCO targets its supervisory activities based upon an assessment of risk profiles, financial conditions, risk management systems, internal controls and compliance history. During 2011-12, FSCO monitored insurers' performance, focusing on business plans and action plans to resolve issues. Staff kept in frequent contact with the management of these companies and arranged meetings with FSCO senior executives where warranted. In more serious cases, discussions were held with board members about corporate performance and action plans.

After extensive involvement by FSCO, one company, Union of Canada Life Insurance Company, obtained a winding up order from the court. A liquidator was appointed. All policyholders of Union of Canada are protected, within limits, by Assuris, the industry-funded organization that covers Canadian policyholders in such circumstances.

Credit Union Regulation

The Deposit Insurance Corporation of Ontario (DICO) and FSCO work closely together to regulate credit unions and caisses populaires under the Credit Unions and Caisses Populaires Act, 1994. Among other roles, DICO is responsible for supervision of the solvency of these financial institutions. FSCO is responsible for enforcing market conduct provisions, certain approvals under the Credit Unions and Caisses Populaires Act, 1994 and for reviewing complaints against credit unions and caisses populaires.

Improving Mortgage Brokering Compliance

A home mortgage is the biggest financial commitment most families make. The Mortgage Brokerages, Lenders and Administrators Act, 2006 strengthened consumer protection by making the mortgage brokering industry more accountable. FSCO has worked in a focussed manner to ensure that the industry is in full compliance with the law.

On-Site Reviews

During the year, FSCO conducted 99 on-site examinations of mortgage brokerages to assess high-risk areas of corporate governance and oversight, such as errors and omissions insurance coverage, brokerage supervision, required disclosure and client relationships. The findings from the examinations indicated that the majority of the mortgage brokerages had established policies and procedures in these areas. The results from these reviews were an improvement from the results of the reviews in 2010. However, the brokerages still need to make improvements to their policies and procedures, to achieve a better degree of compliance with legislation and reduce the potential risk of harm to consumers.

Annual Information Returns

Every mortgage brokerage and administrator is required to complete and submit an electronic Annual Information Return (AIR) to FSCO no later than March 31 each year. The AIR collects information about business practices, internal controls and market conditions for the previous calendar year to help FSCO assess risks in the sector.

As of March 31, 2012, 91 per cent of brokerages and administrators had filed their AIR for 2011, compared with overall compliance rates of 87 per cent and 74 per cent for 2010 and 2009, respectively. FSCO's efforts to encourage voluntary compliance have led to a steady increase in timely filings. Those who do not comply are subject to administrative monetary penalties.

Mandatory Re-licensing Education

In 2012, mortgage brokers and agents in Ontario renewed their licences for the second time under the Mortgage Brokerages, Lenders and Administrators Act, 2006. To renew their licences, brokers and agents were required to complete a five-hour course entitled MB Re-licensing Education 2012, which was offered by four education providers.

Stakeholder Links Maintained

FSCO continues to rely mainly on electronic channels to communicate with mortgage brokering stakeholders. Three issues of the e-info newsletter were released during the year, covering such topics as AIRs, re-licensing education, complaint statistics, mortgage agent course provider audits, errors and omissions insurance audits and other compliance activities. In addition, 16 e-mail blasts were sent, urging agents and brokers to complete the re-licensing education course and reminding principal brokers and mortgage administrators to submit their AIRs.

The Mortgage Broker Industry Implementation Working Group – comprised of members of mortgage broker, real estate and related associations, along with FSCO and Ministry of Finance staff – met regularly throughout 2011-12. The group offered advice on effective communication to promote compliance.

Responding to Consumer Complaints

As evidence of consumer dissatisfaction, complaints represent a crucial market conduct signal for both the industry and regulators. The review of complaints is fundamental to FSCO's risk-based approach to market conduct oversight.

Industry Complaint Procedures

In Ontario, insurance companies are required to designate a complaints officer to receive consumer complaints about business practices, and to refer unresolved complaints to an independent third party for review. Most insurance companies are members of a national ombudservice established by the industry. Where this is not the case, FSCO generally acts as the independent third party.

All mortgage brokerages, mortgage administrators, credit unions and caisses populaires are required to designate an individual to receive and attempt to resolve complaints. They must also keep a record of written complaints and written responses. Moreover, parties making a complaint must be advised to contact FSCO if they believe there has been a violation of the legislation or regulations.

Each year FSCO hosts an annual symposium for external stakeholders on topical market conduct issues. In November 2011, the three half-day symposiums focused on "Complaints – Cradle to Grave." The sessions included brokerage best practices on complaint handling, reporting of complaints and the FSCO Complaints Experience.

Inquiring into Complaints

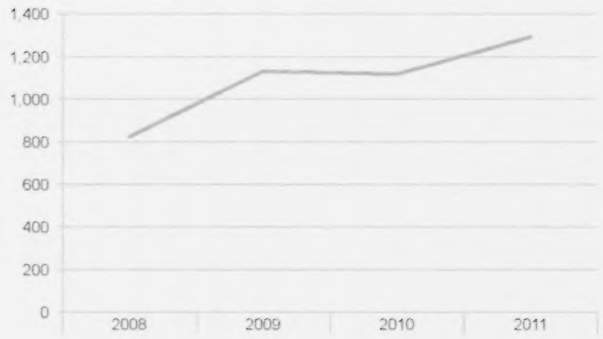
FSCO inquires into complaints alleging non-compliance with legislation or regulations in any of the regulated sectors. Complaint procedures and contact information are posted on FSCO's website.

In recent years the overall volume of complaints to FSCO has increased substantially, with the total in 2011 up 57 per cent from 2008 (See Chart 13). (This calculation does not include pension complaints, which are discussed in the **Overseeing Pension Plans** section of this report.) The Mortgage Brokerages, Lenders and Administrators Act, 2006 and amendments to the Credit Unions and Caisses Populaires Act, 1994 embedded complaint-handling requirements in the legislation. These legal provisions have likely increased FSCO's visibility. In order to address the rising volume of complaints and related inquiries, FSCO has hired additional staff and has begun work to improve business processes.

The highest growth rate in 2011-12 occurred in the automobile insurance sector, with a 64 per cent increase in complaints from the previous year. On the other hand, mortgage brokering complaints dropped 17 per cent (See Table 9).

Most complaints do not result in a finding of contravention of the law. However, access to a review process is important to maintain consumer confidence in the financial services marketplace. Where there has been a contravention, FSCO takes enforcement action as described under **Enforcing Laws and Regulations.**

Chart 13 – Number of Year-to-Date Consolidated FSCO Complaints (Except Pension Plans) 2008-2011



Overall Compliance High

In 2011-12, FSCO found that 91 per cent of all insurance companies and intermediaries and mortgage brokerages, brokers, agents and administrators that were audited, examined or reviewed were in compliance with legal requirements. Since FSCO takes a risk-based approach, compliance activities are focused on areas where problems might be expected. FSCO is satisfied that the overall compliance rate throughout the financial services industry as a whole is much higher than in the areas reviewed.

Other monitoring activities – such as media scans, industry surveys and analysis of complaints trends – confirmed that the marketplace was generally functioning well. FSCO's proactive oversight contributed to the high compliance rate and low proportion of cases requiring intervention. In order to reinforce this capability, FSCO made plans to establish a market intelligence and analysis unit within the Licensing and Market Conduct Division in 2012-13.

Enforcing Laws and Regulations

When evidence of misconduct, unfair practices or non-compliance with legislation or regulations arises in any of the regulated sectors, FSCO investigates. If warranted, FSCO takes enforcement action based on the seriousness of the matter – such as issuing a letter of sanction, imposing an administrative monetary penalty, revoking or suspending a licence, requiring a compliance plan, issuing a cease-and-desist order or launching a prosecution (See Table 10).

Offenders Prosecuted

In 2011-12, FSCO completed prosecutions of two individuals and five companies, securing convictions on 30 charges with fines totaling $156,800. The offences involved ranged from permitting unauthorized overdrafts and falsifying records under the Credit Unions and Caisses Populaires Act, 1994 to violating mandatory filing requirements under the Pension Benefits Act.

In one case, a rehabilitation clinic pleaded guilty to knowingly making false or misleading statements to an auto insurer in order

Table 9 – Monitoring Activities		
Activity	**2011-2012 #**	**2010-2011 #**
Police Checks		
Insurance Agent Licence Applications	8,789	8,304
Mortgage Broker and Agent Applications	2,527	2,692
Audits		
Errors and Omissions Insurance		
- Life Insurance Agents	1,150	300
- Mortgage Brokerages	–	1,204
Complaint Reviews		
Insurance Companies	606	381
Insurance Agents	351	208
Mortgage Brokerages	128	157
Mortgage Brokers	88	86
Mortgage Agents	143	191
Credit Unions	24	16
Loan and Trust Companies	2	5
Health Care Providers	5	6
Pension Plans*	197	400
Total	1,544	1,450

** Pension Plan Complaint Reviews are discussed in the **Overseeing Pension Plans** section of this Annual Report.*

to obtain payment for goods or services provided to an insured person. FSCO laid the charges in 2010 after an investigation found the clinic had submitted false treatment plans and false invoices, in some cases to get paid for treatment that was never provided. The court ordered a conviction and a $50,000 fine.

Further demonstrating its zero tolerance stance against auto insurance abuses, FSCO in February 2012 charged four rehabilitation clinics and six of their owners and directors with offences in connection with an alleged staged auto accident ring. The Toronto Police Service also laid criminal fraud charges. These cases were in addition to three prosecutions FSCO launched in spring and summer 2011 against four individuals and one company for false and misleading statements regarding accident benefits claims.

Cease-and-Desist Orders

Under the Insurance Act, the Superintendent of Financial Services has the power to issue a cease-and-desist order where an unfair or deceptive act or practice has been committed. An individual, company or entity can be ordered to cease engaging in such conduct or to perform other acts that in the Superintendent's opinion are necessary to remedy the situation. Similar orders can be issued under the Mortgage Brokerages, Lenders and Administrators Act, 2006 and the Credit Unions and Caisses Populaires Act, 1994 and are referred to as compliance orders.

In 2011, the Superintendent issued a permanent compliance order under the Mortgage Brokerages, Lenders and Administrators Act, 2006 and two interim cease-and-desist orders under the Insurance Act. Further details on these orders may be found under Enforcement Actions on FSCO's website.

Enforcement in Mortgage Brokering Sector

By law, every mortgage brokerage and administrator is required to carry errors and omissions (E&O) insurance with extended fraud coverage, through an approved insurance provider. This is a key consumer protection measure. In October 2010, FSCO conducted its second audit of all mortgage brokerages' E&O coverage. FSCO followed up with 120 brokerages for non-compliance and, in 2011-12, commenced enforcement action against 54 of these brokerages.

Exercising powers provided by the legislation and regulations, the Superintendent decided to raise the minimum administrative monetary penalty (AMP) for failing to have E&O coverage to $1,500 from $1,000 previously. This was done because the industry had had more than two years to become familiar with this requirement. In cases involving a previous E&O contravention, the AMP proposed was $3,000. Additional AMPs were levied where the brokerage provided false information or failed to co-operate with FSCO or had excessive gaps in coverage. In addition, FSCO sought to revoke licences in cases where multiple contraventions showed a brokerage to be ungovernable.

As of March 31, 2012, the Superintendent had issued 23 orders to impose a total of $66,000 in AMPs. The average AMP ordered was $2,900, ranging from a high of $5,000 to a low of $1,500. As well, the licences of seven mortgage brokerages were suspended because they did not have E&O insurance and five licences were revoked.

Dispute Resolution Penalties

Under the Insurance Act, penalties may be imposed at the end of an arbitration or appeal hearing in the automobile insurance dispute resolution system. In 2011-12, five special awards were made against insurers that unreasonably withheld or delayed the payment of benefits, while one representative of a party was ordered to pay expenses personally.

Advisory Board Hearings

Advisory Boards under the Insurance Act make recommendations to the Superintendent of Financial Services on whether to grant, renew, revoke or suspend licences of agents or adjusters. Licensing issues are often resolved by minutes of settlement. Where they are not, the Superintendent appoints an Advisory Board including an agent or adjuster representative, an insurer representative and a

Ontario

Table 10 – Enforcement Actions

Type	2011-2012 #	2010-2011 #
Insurance Agents		
Licences Revoked	24	24
Licences Suspended	6	6
Letters of Caution	14	7
Automobile Insurance Companies		
Letters of Caution	–	3
Mortgage Brokerages /Administrators		
Licence Refusals	-	–
Licence Suspensions	8	–
Licence Revocations	5	–
Administrative Monetary Penalties		
Annual Information Return		
- Orders Issued	9	1
- Amount Ordered	$9,000	$1,000
Errors & Omissions Insurance		
- Orders Issued	23	1
- Amount Ordered	$66,000	$250
Unlicensed Activity		
- Orders Issued	–	1
- Amount Ordered	–	$25,000
Mortgage Brokers		
Licence Suspensions	–	–
Letters of Caution	1	2
Mortgage Agents		
Licence Refusals	–	–
Letters of Caution	1	3
Health Care Providers/Clinics		
Letters of Caution	2	1
Dispute Resolution Penalties		
Special Awards against Insurers	5	5
Expense Orders against Representatives	1	–
Cease and Desist Orders	6*	6**
Prosecutions Completed	7	5

** Comprised of three interim orders, one of which became permanent during the year, and two permanent orders issued in regard to interim orders from the previous year.*

*** Comprised of four interim orders, two of which became permanent during the year.*

Table 11 – Advisory Board Activities

Activity	2011-2012 #	2010-2011 #
Cases Pending at Beginning of Year	6	9
New Cases Received	11	14
Files Closed	8	17
Cases Pending at End of Year	9	6
Hearing Days	5	9
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	21	13
Total Hearing and Activity Days	26	22

NOTE: Numbers for each year may reflect activity concerning files opened prior to the respective year.

Superintendent's representative. The board holds a hearing and prepares a written report to the Superintendent, who makes a decision and issues an order. Advisory Boards closed eight cases in 2011-12 (See Table 11).

REGULATING THE AUTOMOBILE INSURANCE SYSTEM

Automobile insurance is compulsory for drivers and motor vehicles on Ontario's roads. To protect consumers, FSCO reviews and approves automobile insurance rates, risk classification systems and underwriting rules for denial of coverage, as well as endorsements, forms and rate manuals. FSCO also advises the government on the need for changes to auto insurance legislation and regulations, and works with stakeholders to improve the system's operation. As well, FSCO administers a claims fund for victims of accidents involving uninsured or unidentified vehicles.

The Auditor General's Report was released on December 5, 2011 and included a Value for Money audit on auto insurance regulation. It made recommendations on:

- Statutory Accident Benefit Schedule claims costs and controls
- Auto insurance fraud
- Rate approval process and implementation by insurers
- Dispute resolution services
- Motor Vehicle Accident Claims Fund (MVACF) funding
- Regulatory performance measures
- Health system costs and assessments

FSCO developed an action plan to address the recommendations and continues to take steps to strengthen regulatory oversight. Some of these measures include reviewing the appropriate cost of capital provision for use in approving auto insurance rates; retaining external service providers to assist with the backlog of dispute resolution files; recommending consolidation of the various reviews under the Insurance Act; ensuring insurers have appropriate controls in place around claim payments; establishing a new Minor Injury Protocol; and making recommendations to the Ministry of Finance on MVACF funding and health care assessment.

Anti-Fraud Task Force Underway

The 2011 Ontario Budget underlined the government's determination to reduce fraud in the auto insurance system. To guide this effort, the government named the Auto Insurance Anti-Fraud Task Force in July 2011. The task force has a mandate to determine the scope of auto insurance fraud in Ontario and, in collaboration with stakeholders, make recommendations on:

- prevention, detection, investigation and enforcement
- regulatory practices
- consumer engagement and education

The task force is supported by three working groups, one in each of the above areas. FSCO chairs the Regulatory Practices Working Group, and participates in the other two groups. An interim report from the task force was released in December 2011, and a final report is expected in fall 2012.

Attestation on Compliance Controls

FSCO delivered on the 2011 Budget commitment that auto insurers would be required to make an annual attestation on compliance controls, as an anti-fraud measure. The inaugural attestation documents were sent out in July 2011 for completion by mid-October 2011.

The president, CEO or most senior officer responsible for operations was required to personally attest that the company has cost controls in place to address fraud and abuse. They were also required to attest that these controls are effective, reviewed regularly and treat legitimate claimants fairly and in accordance with the law. FSCO developed a further questionnaire on costs controls and plans to follow up with on-site examinations to confirm that companies are meeting the commitments stated in the attestations.

Health Claims System Targets Fraud

The Health Claims for Automobile Insurance (HCAI) system automates the exchange of standardized health claim information between health care providers and insurance companies. The 2011 Ontario Budget indicated that the industry and FSCO will explore ways in which HCAI will be used to help detect potentially fraudulent activity in the auto insurance system.

Following up, the HCAI Anti-Fraud Working Group was established in December 2011 – chaired by FSCO, with representatives from the Ministry of Finance, the Insurance Bureau of Canada, HCAI Processing and health care professional organizations and regulators. The working group conducted research and offered advice on fraud detection through the HCAI system, and prepared a progress report to the Auto Insurance Anti-Fraud Task Force. In addition, the group supported the successful pilot of the Professional Credential Tracker tool, designed to prevent unauthorized use of health practitioner credentials for billing purposes.

Further Anti-Fraud Actions

During 2011-12, FSCO took further steps to advance the fight against auto insurance fraud, including the following:

- releasing a Superintendent's Guideline on HCAI to address billing concerns, including frequency of invoicing, incomplete invoices, duplicate invoices and submission of invoices for non-approved goods and services;
- issuing a revised Minor Injury Guideline to clarify minor injury billing issues;
- issuing a bulletin requiring all invoices for treatment to include the treatment plan number effective July 1, 2012, to make it easier to reconcile invoices with treatment plans and identify duplicate invoices or bills for unapproved treatment;
- releasing a Superintendent's Guideline to prevent insurers from being invoiced for medical devices at a significantly higher than market rate;
- aggressive enforcement – including investigation and prosecution – to deter fraud and abuse in the auto insurance market (see the **Licensing, Monitoring and Enforcement** section of this Annual Report for an update on enforcement actions);
- introducing an anti-fraud portal on FSCO's website and distributing anti-fraud information, including a brochure directed to health care practitioners.

Auto Insurance Reform Continues

In late 2009, the Ontario government announced major reforms to the province's automobile insurance system, most of which took effect on September 1, 2010. FSCO continues to work on longer-term directions contained in the reform package.

Consultations on Catastrophic Impairment

Ontario's automobile insurance system provides a higher tier of accident benefits for claimants who have impairments determined to be "catastrophic". The Statutory Accident Benefits Schedule (SABS) sets out the definition for "catastrophic impairment" but the definition – which has undergone only minor changes since 1996 – has become unclear as a result of various court decisions.

The auto insurance reform package included a pledge to consult with the medical community to develop a clear and fair definition of catastrophic impairment. In 2010, the Superintendent of Financial Services followed up by appointing a panel of eight medical specialists and scientists, with a mandate to make recommendations on changes to the definition, as well on qualifications for health professionals who assess catastrophic impairments. The expert panel presented two reports to the Superintendent:

- the Phase I report on changes to the definition of catastrophic impairment, submitted in April 2011;
- the Phase II report on training, qualifications and experience for catastrophic impairment assessors, submitted in June 2011.

The expert panel reports were posted on FSCO's website for consultation. In response, FSCO received 33 stakeholder submissions, which were also posted on the website. In addition, approximately 200 individuals attended an information session to ask questions of FSCO staff and expert panel members.

After reviewing this feedback, the Superintendent of Financial Services prepared a report to the Minister of Finance with recommendations to improve the fairness and predictability of the process for determining catastrophic impairments. The 2012 Ontario Budget announced that this report will be made public and the government will move forward with regulatory amendments in this area.

New Minor Injury Treatment Protocol

The auto insurance reform package also included plans for a new Minor Injury Protocol to improve the efficiency and effectiveness of treatment for minor injuries resulting from motor vehicle accidents.

The new protocol would replace the existing interim Minor Injury Guideline – which allows health care providers to treat minor injuries without the need for prior approval by the insurer – as well as the current $3,500 monetary cap on assessment and treatment of minor injuries. Instead, an extensive continuum of care for minor injuries would be provided, based on current scientific and medical evidence. The new approach is expected to reduce disputes in the auto insurance system, while ensuring patients get the right treatment.

FSCO issued a request for proposals for consulting services to develop the new protocol. This competitive process closed in January 2012. Work on the project is expected to begin in summer 2012 with completion set for 2014.

Consumers Protected by Filing Review Process

FSCO reviews auto insurance rates to ensure that they are reasonable and justified, based on expected claims costs and other operating costs. As a result of FSCO's review, an insurance company may be required to amend its proposed rates before they are approved. In all, FSCO approved 97 personal passenger auto (PPA) rate filings in 2011-12 (See Table 12). The overall change in approved rates over the year was an increase of 2.87 per cent, based on the entire market.

On average, the time to review and approve PPA filings was 58 days. As in the past few years, several companies proposed significant changes to risk classification systems, utilizing advanced information technology and predictive modeling techniques to better match rates charged with risks.

Webcast Welcomed

FSCO held the first of a series of webcasts on the rate filing process in March 2012. Offered through FSCO's website, the session focused on major private passenger auto filings. Encouraging feedback was received from insurers. FSCO plans further webcasts on other types of filing and key components of the filing process.

Table 12 – Automobile Insurance Filings Processed

Type	2011-2012	2010-2011
Private Passenger Auto Rate Filings		
Auto Reform*	-	63
Major	80	50
Simplified**	12	16
CLEAR***	5	–
Fees****	-	1
Total	97	130
Non-Private Passenger Auto Rate Filings		
Auto Reform*	–	375
Non-Auto Reform	73	59
Total	73	434
Underwriting Rule Filings	69	63
Endorsement Filings	44	28
Form Filings	83	148
Rate Manual Filings	136	120

* *Required filings in 2010 to implement auto reforms.*

** *Insurers may submit a simplified filing where certain criteria, including a rate reduction proposal, are met. Only summary information is required in a simplified filing, whereas a major filing requires detailed actuarial information.*

*** *The Canadian Loss Experience Automobile Rating (CLEAR) system groups vehicles according to their actual claims experience. Almost all companies that write PPA policies use CLEAR. Due to the timing of auto insurance reforms and the volume of filings, FSCO did not approve CLEAR tables in 2010. FSCO approved the 2011 CLEAR tables and insurers were required to submit CLEAR filings by April 30, 2012.*

**** *Fee Filings are submitted when the company is proposing to make changes to fees or add new ones.*

Last–Resort Coverage for Accident Victims

FSCO administers the Motor Vehicle Accident Claims Fund (MVACF), which compensates victims of accidents involving uninsured or unidentified vehicles who have no access to insurance coverage. MVACF also pays the statutory accident benefits claims of insolvent Ontario insurers, further protecting accident victims.

Established by legislation, MVACF is financed by a $15 fee (three dollars per year) collected when each five-year Ontario driver's licence is issued or renewed. MVACF works to recover third-party liability payments from uninsured motorists found responsible for accidents or from liable vehicle owners. The driver's licences of those in default are suspended; MVACF arranges for reinstatement when the debt is paid in full or a satisfactory payment schedule is in place.

In 2011-12, MVACF paid out $26 million in claims, an increase of about 25 per cent from the year before (See Table 13). Outstanding claims liabilities totaled $138.7 million at year end, a decrease from $157.8 million a year earlier. MVACF's annual financial statements are audited by a public accounting firm under the direction of the Office of the Auditor General of Ontario and appear later in this Annual Report.

Table 13 – Motor Vehicle Accident Claims Fund

Measure	2011-2012	2010-2011
New Claims Reported (#)	514	556
Total Cash Payouts	$26 million	$20.7 million
Total Statutory Accident Benefits Claims Paid (#)	424	471
Total Statutory Accident Benefits Payments	$18.8 million	$14.8 million
Total Third Party Liability Claims Paid (#)	123	114
Total Third-Party Liability Payments for Bodily Injury and Property Damage	$7.2 million	$5.9 million
Collection of Repayments	$1.5 million	$1.5 million
Suspended Driver's Licences (#)	312	392
Reinstated Driver's Licences (#)	250	275
Repayments Processed (#)	7,034	7,053
Debtors Making Payments (#)	787	837
Active Accounts Receivable (#)	1,118	1,156

RESOLVING DISPUTES OVER STATUTORY AUTOMOBILE ACCIDENT BENEFITS

FSCO's dispute resolution services are a cornerstone of Ontario's no-fault automobile insurance system. They offer a cost-effective alternative to the courts where a claimant and insurer disagree about entitlement to statutory accident benefits or the amount of benefits. Services include mediation, arbitration, neutral evaluation, appeal, and variation or revocation of an arbitration or appeal order.

Under the law, mediation at FSCO is the mandatory first step in resolving accident benefits disputes. FSCO mediators are impartial and work with the parties to find a mutually acceptable solution. If mediation does not succeed, the claimant can take the dispute to arbitration at FSCO or start a court case, or both parties can agree to send the dispute to private arbitration.

The decision of a FSCO arbitrator is binding, but either party can appeal an arbitrator's order to FSCO's Director of Arbitrations on a question of law. While there is no appeal from a decision of the director or delegate, judicial review may be available through the courts. An arbitration order can be varied or revoked where it contains an error, the claimant's circumstances have changed materially or new evidence has arisen.

Mediation Applications Continue Growth

The number of mediation applications received by FSCO continues to grow. In 2011-12, FSCO received 35,734 applications, 16 per cent more than the previous year. The level reflects an unprecedented 174 per cent increase in the annual volume of mediation applications over the past five years (See Table 14 and Chart 14). The causes of this growth are hard to determine but appear to include such factors as:

- overutilization of the accident benefits system;
- economic conditions, financial pressures on claimants and industry practices around processing and denial of claims;
- legislative changes;
- possibly, fraudulent claims.

In response to this growth, FSCO has taken action to improve the productivity of mediation services. These measures led to the closing of 36 per cent more cases in 2011-12 than the year before, with virtually the same staffing level. The success rate for mediation held steady, with 70 per cent of cases settled fully or partially, compared with 71 per cent the previous year.

Addressing the Backlog

FSCO's initiatives to address the mediation backlog include:

- **eCalendar** – In July 2011, FSCO began rolling out an electronic scheduling system that enables parties to book a mediation

meeting date online, without involvement of FSCO staff. Mediators no longer have to perform the scheduling function, giving them more time to conduct the actual meetings. Use of the eCalendar became mandatory for all parties with legal representation – 99 per cent of the total – on February 1, 2012. Between July 1, 2011, and March 31, 2012, 11,068 files were posted to the system, which has proven an effective tool for increasing productivity and improving service.

- **Consent Failures** – In September 2011, FSCO began offering parties the option of failing mediation on mutual consent. Letters are sent to claimants and insurers with an attached form they can complete to request FSCO to fail the mediation. This new process allows parties to proceed to arbitration or court without waiting for a mediation meeting. The form requires an explanation of efforts to resolve the dispute and the details of all remaining issues. The completed form is reviewed by a mediator. If satisfied that best efforts have been made and there is no reasonable prospect of a resolution, the mediator will issue a report failing the mediation and close the file. By March 31, 2012, a total of 28 completed Consent to Fail Mediation forms had been received.
- **Mandatory Settlement Days** – Since November 2011, FSCO has been organizing settlement blitz days. Claimant and insurer representatives with common files that have not yet been assigned to a mediator are required to attend meetings. Mediators facilitate the sessions and record the outcomes. From November 2011 through March 2012, 706 cases were settled and a total of 1,157 files were closed through the settlement blitz initiative.
- **Private dispute resolution services** – In December 2011, FSCO posted a Request for Proposals for private dispute resolution services to help reduce the backlog. The competition closed at the end of February 2012. FSCO expects to begin assigning files to the successful proponent in summer 2012. The individuals proposed by the service provider will be appointed as mediators and arbitrators in accordance with the process set out in the Insurance Act.

Arbitration Applications Also Rise

As a direct result of the steady increase in mediation applications, the volume of arbitration applications rose for the fifth straight year. Arbitration applications were up 25 per cent in 2011-12 to 5,252. The annual total has virtually doubled over the past five years (See Table 14 and Chart 15).

The settlement rate for arbitration cases before a decision was handed down was 94 per cent in 2011-12, compared with 90 per cent the year before. FSCO arbitrators issued 79 per cent of their decisions within the published time frame of 85 days from the end of the hearing, up from 70 per cent the previous year. The median time for issuing a decision improved to 53 days from 56 days.

Appeal Applications Hold Steady

The number of appeals received was almost unchanged at 28 in 2011-12 compared with 27 the previous year. Twenty-four files were closed – including 13 settlements prior to the decision. Twenty appeal decisions were issued (See Table 14).

Key Provisions Interpreted

During 2011-12, FSCO arbitrators and Director's delegates released significant decisions interpreting various aspects of the Insurance Act and the Statutory Accident Benefits Schedule (SABS). Examples of issues dealt with include:

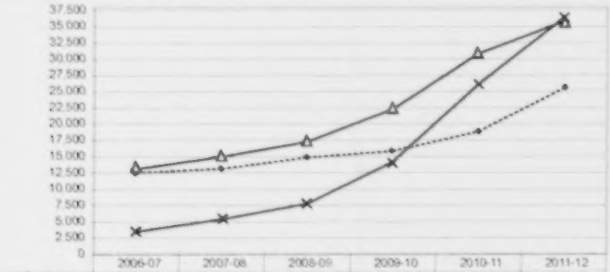
- the definition of an accident;
- requirements for an insurer to give the claimant a settlement disclosure notice;
- determination of catastrophic impairment;
- deemed failure of mediation;
- providing photographs on social media to an opposing party in an arbitration proceeding;
- the interaction of the SABS with Workplace Safety and Insurance Board Benefits;
- repayment of interim benefits.

All FSCO arbitration and appeal decisions are posted on FSCO's website. (The site explains how to obtain a username and password, which are required for this service.)

Table 14 – Dispute Resolution Services Activities

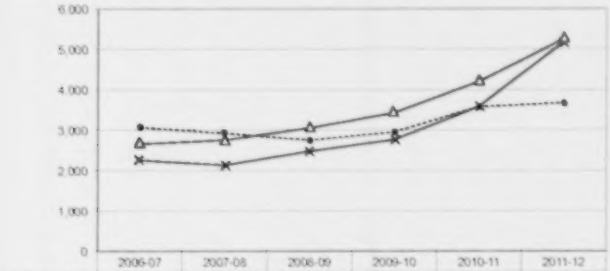
Activity	2011-2012	2010-2011
Mediation		
New Applications Received	35,734	30,747
Cases Closed	25,473	18,762
Settlement Rate – Full	65%	64%
Settlement Rate – Partial	5%	7%
Arbitration		
New Applications Received	5,252	4,193
Cases Closed	3,663	3,563
Settled	3,429	3,328
Decisions Issued	149	142
Appeals		
New Applications Received	28	27
Cases Closed	24	32
Settled	13	12
Decisions Issued	20	28

Chart 14 – Mediation Cases - Intake, Closed and Pending 2006/07 – 2011/12



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Intake	13,053	14,920	17,233	22,219	30,747	35,734
Closed	12,498	13,094	14,852	15,826	18,762	25,473
Pending	3,439	5,329	7,728	14,116	26,101	36,360

Chart 15 – Arbitration Cases - Intake, Closed and Pending 2006/07 – 2011/12



	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Intake	2,645	2,740	3,045	3,422	4,193	5,252
Closed	3,056	2,912	2,740	2,948	3,563	3,663
Pending	2,240	2,121	2,463	2,748	3,579	5,174

DEVELOPING REGULATORY POLICY

An effective and efficient regulatory framework must align with current market realities. FSCO advises the government on trends in the regulated sectors to highlight the need for policy changes, and also works with the government to implement new policy directions. As well, FSCO develops administrative policies to guide the application of legislation in its mandate. FSCO relies on open, ongoing communication with the industry, consumers and other stakeholders to find practical solutions to emerging problems.

National Regulatory Coordination

At the national level, FSCO fosters a coordinated approach to regulatory issues, across both jurisdictional and sectoral borders. FSCO takes a leadership role and provides staff support for:

- the Canadian Council of Insurance Regulators (CCIR);
- the Canadian Association of Pension Supervisory Authorities (CAPSA);
- the Joint Forum of Financial Market Regulators – including representatives of CCIR, CAPSA, the Canadian Securities Administrators and the Canadian Insurance Services Regulatory Organizations; and
- the General Insurance Statistical Agency (GISA) – an independent corporation that collects and reports automobile insurance data for eight provincial and territorial regulators.

FSCO is also a member of the Canadian Automobile Insurance Rate Regulators Association (CARR) and the Canadian Mortgage Broker Regulators Group (MBRG). As well, FSCO participates in annual meetings to discuss national issues in the co-operative corporation and credit union/caisse populaire sectors.

Joint Forum Highlights

The Joint Forum brings together securities, pension and insurance regulators to co-ordinate, harmonize and streamline the regulation of financial products and services in Canada. Its goal is the continuous improvement of the financial services regulatory system. During 2011-12, FSCO continued to participate in key Joint Forum initiatives.

Product Development and Disclosure

A Joint Forum committee is examining the responsibilities of financial product manufacturers and intermediaries to offer consumers suitable products and ensure they can make informed decisions. As the first step, the committee launched a dialogue with stakeholder associations and member companies that manufacture financial products, such as individual variable insurance contracts (also known as segregated funds) and mutual funds. The aim was to obtain information from the product manufacturers on their processes and practices and the impact on retail investors.

Capital Accumulation Plan Issues

Capital Accumulation Plans (CAPs) are tax-assisted savings or investment plans that allow members to choose among investment options. Examples include defined contribution pension plans and group registered retirement savings plans.

The Joint Forum is considering a number of issues involving CAPs, including: the implications of the Pooled Registered Pension Plans proposed by the federal government; questions referred by CAPSA as a result of its review of the regulation of defined contribution plans; and the need to incorporate further governance standards into the existing CAP Guidelines. A Joint Forum committee prepared a research and analysis paper and held a consultation session on these issues. Stakeholder input will be reviewed to determine the next steps.

Overseeing Financial Ombudservices

The Joint Forum's Dispute Resolution Committee works with the financial ombudservices – the Ombudsman for Banking Services and Investments (OBSI), the Ombudservice for Life and Health Insurance (OLHI) and the General Insurance Ombudservice (GIO) – to ensure that the industry system for resolving consumer

complaints functions in the public interest. Each of the three bodies has an independent evaluation of its operations at least every three years. During 2011-12, the committee met with each ombudservice to monitor progress in implementing the independent reviewers' reports on their activities and discuss other issues. OBSI reported on its second review, while OLHI and GIO have now completed work on most of the recommendations from their first reviews.

Consumer Compensation Guide Posted

The Joint Forum e-published a plain-language consumer guide called Seeking Compensation, developed as a consumer engagement initiative. The guide explains where consumers can go for help if they have lost money because of an error, disagreement or the possible misconduct of a financial services representative or company. The publication was posted on the Joint Forum website and is also accessible through links on the websites of Joint Forum member organizations as well as other consumer-oriented sites.

Promoting Financial Literacy

A major international conference on financial literacy took place in Toronto in May 2011, under the auspices of the Financial Consumer Agency of Canada and the Organisation for Economic Co-operation and Development. The Joint Forum helped with the planning. Some 400 academics, public servants, industry executives and other experts from 44 counties attended the conference and explored the theme Partnering to Turn Financial Literacy into Action.

The Joint Forum puts this theme into practice. It coordinates regulatory efforts on consumer information and education, and shares best practices for delivering consumer information and partnering with interested organizations.

Sharing Regulatory Enforcement Information

Also in 2011-12, the Joint Forum continued to examine better ways to share information on regulatory enforcement issues and actions across sectors and jurisdictions. The Joint Forum will monitor the progress of the CCIR's Disciplinary Information Committee – which is weighing the feasibility of a centralized information source on disciplinary decisions by insurance regulators – before proceeding with further work.

CAPSA Highlights

CAPSA is a national association of pension regulators with a mission to facilitate an efficient and effective pension regulatory system in Canada. It develops practical solutions to further co-ordinate and harmonize pension regulation across the country. In 2011-12, FSCO took part in three major initiatives to further CAPSA's mission.

Multi-Jurisdictional Pension Plans

In 2009, after more than a decade of work and consultations, CAPSA released the Agreement Respecting Multi-Jurisdictional Pension Plans, which provides clear rules for the administration and regulation of pension plans with members in more than one jurisdiction. It replaces the Memorandum of Reciprocal Agreement that dates back to 1968. FSCO currently oversees 1,700 multi-jurisdictional pension plans.

In May 2011, Ontario and Quebec, which together account for 64 per cent of multi-jurisdictional plans and 57 per cent of multi-jurisdictional plan members in Canada, signed the agreement. It came into effect on July 1, 2011 for pension plans registered in Ontario and Quebec with members in both provinces. CAPSA released a Commentary Guide explaining the provisions of the agreement, as well as administrative procedures to facilitate implementation. A frequently asked questions document was also developed in response to stakeholder inquiries. CAPSA expects the remaining jurisdictions to sign the agreement in 2013 or as soon as possible thereafter.

Prudent Investment and Funding Practices

For pension plan members to receive the promised benefits, CAPSA recognizes that sound plan governance with respect to funding and investment is crucial. In November 2011, following consultation on draft documents, CAPSA released the Pension Plan Prudent Investment Practices Guideline, a companion self-assessment questionnaire and the Pension Plan Funding Policy Guideline. The new guidelines reflect the expectations of pension regulators for the adoption of prudent investment practices and funding policies by plan administrators. They are intended to support the continuous development and improvement of industry practices.

Strategic Plan 2012-2015

For the past three years, CAPSA's activities have been guided by its 2008-2011 Strategic Plan. In October 2011, CAPSA requested input on a new strategic plan for 2012-2015. During the consultation period, submissions were received from all CAPSA members as well as four stakeholder organizations. A draft version of the new plan was discussed at CAPSA's spring 2012 meeting and was expected to be finalized and released in June. The next step will be to develop an implementation plan.

CCIR Highlights

CCIR brings together insurance regulators from all Canadian jurisdictions to seek common solutions to regulatory issues and promote harmonization. FSCO took part in several CCIR initiatives during 2011-12.

New Strategic Plan

In summer 2011, CCIR approved its Strategic Plan 2011-2014, which includes significant changes to its mandate, vision and mission. The mandate statement was simplified and refocused to define CCIR as a forum for its members "to collaborate among themselves and with others to improve insurance regulation to serve the public interest." The new vision makes clear that the purpose of regulation is to support consumer protection and enhance confidence in the Canadian insurance marketplace. The new mission specifically

refers to working with policy-makers to emphasize their role in harmonization and implementation of common solutions.

CCIR's strategic priorities for 2011-2014 are to:

- maintain strong regulatory capacity
- enhance policy-maker and stakeholder engagement
- promote an efficient private sector marketplace
- identify and address common emerging issues in a timely manner

Building Regulatory Capacity

As initial steps in implementing the new Strategic Plan, in fall of 2011 CCIR undertook two initiatives designed to build regulatory capacity.

Determined to strengthen linkages with international regulatory bodies, CCIR noted that the International Association of Insurance Supervisors (IAIS) has revised its insurance core principles for both prudential and market conduct regulation. CCIR formed a working group to ensure that Canada has implemented all the IAIS principles, particularly those concerning fair treatment of customers. The group will also develop a supervisory and regulatory framework that meets international standards and could be adopted across Canada.

CCIR also created the Solvency Forum, with a view to increasing collaboration among regulators. The forum will develop best practices for monitoring the solvency of provincial insurers, as well as tools for possible closure of a provincial company.

Insurers' Use of Credit Scores

Some insurers use credit-based scores to predict the likelihood that a policyholder will file a claim – a practice that has attracted media attention. (Ontario bans the use of credit information for automobile insurance purposes.)

In June 2011, CCIR released an issues paper on the Use of Credit Scores by Insurers for consultation. The paper describes insurers' use of credit-based insurance scores, the types of consumer risks that might arise, and the current rules that respond to these risks. CCIR sought input on whether the paper identifies all potential risks and whether the risks are already addressed under law, and if so, how. CCIR's aim is to build a common understanding about the topic among regulators, policy-makers, consumers and industry stakeholders. A final paper on the subject will be prepared in 2012.

Managing General Agency Model Probed

Over the past 20 years the distribution of individual life insurance products has changed dramatically, with a shift away from the traditional career agent model to the managing general agency (MGA) model. Many current provincial legislative provisions on insurance predate this change. CCIR created the Agency Regulation Committee to identify and address consumer risks and regulatory issues that may stem from MGAs' activities.

Consultations on an issues paper released by the committee ended in April 2011. After reviewing stakeholder responses, the committee developed a position paper, The Managing General Agencies (MGAs) Distribution Channel in the Life Insurance Industry, which was approved by CCIR in March 2012 for consultation with stakeholders. The paper focuses on best practices for insurers to follow in contracting with MGAs.

Protecting Consumers in the Digital Age

CCIR released an issues paper on Electronic Commerce in Insurance Products for consultation in February 2012. The paper notes that use of the Internet by insurers and intermediaries has increased sharply over the past decade – especially for marketing – and this trend is expected to continue. The aim of the paper, prepared by CCIR's Electronic Commerce Committee, is to seek stakeholders' views on how consumer protection goals can best be achieved in the electronic commerce context. Once feedback has been reviewed, the committee will develop preliminary recommendations for CCIR to consider.

CARR Annual Conference

FSCO is one of nine provincial regulators belonging to the Canadian Automobile Insurance Rate Regulators Association (CARR), which provides a forum to share best practices and discuss key regulatory issues. Ontario is the only province where rate regulation is part of the Superintendent's duties; in other jurisdictions rate boards are responsible for rate regulation.

In October 2011, FSCO hosted CARR's fifth annual conference in Toronto. Fifty delegates attended, including 14 from Ontario. The agenda featured a panel discussion of current market issues by insurance company CEOs, as well as presentations on auto insurance fraud, U.S. rating trends and the use of predictive analytics in rating. FSCO is also active in CARR committees on research and staff education and training.

Updating Ontario's Regulatory Framework

At the provincial level, FSCO supports the Ontario government's efforts to modernize financial regulation to protect consumers and support a vibrant financial services sector. FSCO's provincial policy activities regarding pension plans and automobile insurance were described earlier in this Annual Report in the **Overseeing Pension Plans** and **Regulating the Automobile Insurance System** sections.

AMPs for the Insurance Sector

As noted above, Ontario's mortgage brokering legislation gives the Superintendent of Financial Services the power to impose administrative monetary penalties (AMPs) in cases of non-compliance with regulatory requirements. AMPs have also been introduced in the credit union sector. As a new enforcement tool, AMPs give FSCO more flexibility to respond to contraventions that do not warrant sanctions as severe as licence revocation or prosecution.

The 2012 Ontario Budget announced that the government would bring in legislative amendments to give the Superintendent the authority to impose AMPs in the insurance sector. The necessary changes to the Insurance Act, the Compulsory Automobile Insurance Act, the Automobile Insurance Rate Stabilization Act, 2003 and the FSCO Act were included in the Budget Measures bill.

FSCO assisted the ministry in drafting the amendments. FSCO also led the working group and steering committee, which included Ministry of Finance staff, which developed the model for implementing AMPs in the insurance sector. The model identified the form and amount of AMPs as well as the specific requirements to be enforced through this tool. New regulations are required to implement the AMPs.

New International Solvency Standards

Over the past two decades, insurance has been transformed into a global business by new technologies and the emergence of conglomerates. More recently, the 2008 financial crisis exposed gaps in prudential supervision that need to be closed. In response to these developments, insurance supervisors around the world have been embracing stronger solvency standards.

The IAIS represents insurance regulators and supervisors from 140 countries – including Canada. It recently revised its Insurance Core Principles and established common standards for solvency assessment of insurers worldwide. IAIS principles and standards are designed to enhance financial stability and increase consumer protection.

In Canada, the federal Office of the Superintendent of Financial Institutions has adopted the higher standards for solvency supervision, and Ontario and other provinces are considering solvency reforms. One option for Ontario would be to invest the resources to bring its supervisory system up to the new standards. However, given the small and declining number of insurance companies incorporated in Ontario and subject to provincial solvency oversight (see Chart 6), this may not be the most cost-effective solution. FSCO began work on a paper on upgrading solvency supervision of Ontario-incorporated insurance companies slated for release later in 2012.

EDUCATING CONSUMERS

Consumer education is fundamental to FSCO's consumer protection role. Financial knowledge and skills help consumers make sound decisions and protect their own interests. FSCO provides access to current, accurate and balanced information to help consumers manage their money and navigate through an increasingly complex array of choices.

Website Redesigned

The www.fsco.gov.on.ca website remains FSCO's leading communications link with the public. In 2011-12, the site attracted almost half a million visitors. Of these, 55 per cent were returning visitors. The most popular areas of the site were FSCO's Forms Directory and Pension Forms.

FSCO launched a redesigned website, organized according to audiences and sectors, in summer 2011. Improvements were based on a review of the site's content and operation that included focus groups and user surveys. The revamped site features new tools and content and an updated look and feel. It is aligned with government-wide standards for navigation and Accessibility for Ontarians with Disabilities Act, 2005 compliance. The site also added a new portal on Fighting Auto Insurance Fraud, to support FSCO's anti-fraud efforts.

Real-time Communications

In fall 2011, FSCO launched Rich Site Summary or Really Simple Syndication (RSS) News on Demand. The service automatically feeds new content in five sector portals on FSCO's website directly to RSS subscribers. This allows them to avoid manually checking FSCO's website, and instead have relevant content pushed onto their computers as soon as it is released. FSCO also opened an online subscription centre to sign-up for newsletters and receive email alerts on sector updates.

FSCO created a Twitter account to engage and share content with stakeholders and increase awareness of regulatory requirements. Tweets provide timely and important updates, tips and answers to frequently asked questions.

Auto Show Outreach

Each year, FSCO maintains a strong presence at the Canadian International Auto Show in Toronto. At the February 2012 version, FSCO hosted an exhibit promoting consumer publications on automobile insurance. Staff answered questions on avoiding auto insurance fraud, reducing premiums and other insurance matters, as well as handing out print materials and demonstrating online products. During the 10-day event, FSCO interacted with about 2,400 consumers and distributed about 20,000 print items.

Reaching Consumers through News Media

FSCO arranges for informative consumer articles to be prepared and distributed to newspapers and other publications – for both print and online editions – as well as to top websites across the province. Three items were produced during the year on:

- Auto insurance fraud is targeting the health care system
- How to detect scams with auto insurance
- Improve standard auto coverage with optional benefits

The estimated audience for the print insertions was about 2.5 million, while articles posted on the websites of newspapers, magazines and financial experts gained exposure to more than 4 million online readers. These news segments also appear on FSCO's website so they are easily accessible to consumers and the media.

New Brochure on Auto Insurance Fraud

In 2011-12, FSCO released a new brochure entitled Reducing Abuse and Fraud in Health Care Services for Auto Insurance: Everyone has a Role to Play, further supporting FSCO's initiatives to fight auto insurance fraud. The publication explains how health care practitioners can prevent their identity from being stolen and used for fraudulent accident benefit claims. It also explains how clients can help by checking their bills and watching for discrepancies between their treatment plan and the services actually provided.

This was one of a variety of consumer brochures and other public information materials FSCO publishes in print and digital formats. In 2011-12, requests for hard copies from industry associations, consumer groups and MPP constituency offices totalled about 1,000. Electronic versions of all titles are posted on FSCO's website.

Ontario Smart Consumer Calendar

FSCO participated in the 2012 Ontario Smart Consumer Calendar, a Ministry of Consumer Services publication. Each month the calendar profiles a different theme to help consumers shop smarter, make good purchase decisions and avoid problems with service providers. FSCO's full-page contribution, entitled Auto Insurance Fraud Costs Us All, featured tips on how to avoid scams and protect yourself when buying auto insurance. More than 310,000 copies of the calendar were printed and distributed throughout the province in seven different languages.

Responding to Phone Calls and Correspondence

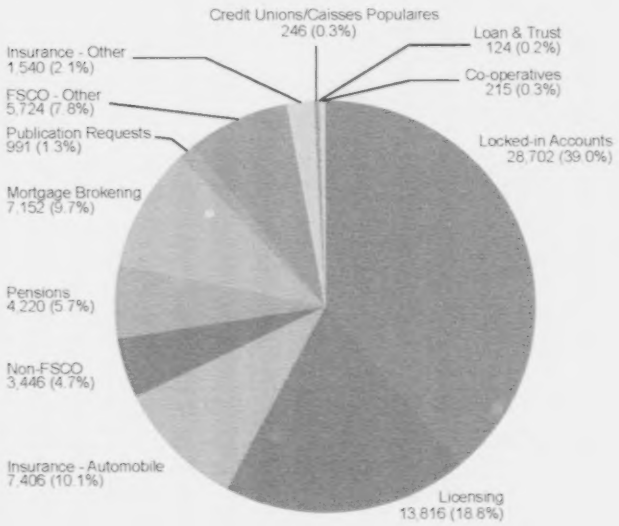
FSCO's Consumer Services Unit is a valuable point of contact for both the public and stakeholders. Staff respond to telephone inquiries and correspondence, providing information about legislation and regulations administered by FSCO and also about FSCO's processes.

During 2011-12, consumer services staff responded to some 74,000 inquiries. Although the overall number of inquiries declined, activity increased in some areas. The number of mortgage brokering inquiries rose by 29 per cent due largely to questions about re-licensing education requirements. The busiest area – locked-in pension accounts – recorded a slight increase. Inquiries rose to almost 29,000 as consumers sought information or application forms to unlock these funds in cases of financial hardship (See Chart 16).

GETTING THE MOST FROM ORGANIZATIONAL RESOURCES

As an organization, FSCO is accountable for delivering efficient, high-quality regulatory services. It is determined to obtain the maximum value from its human, financial, technological and physical resources.

Chart 16 – Public and Stakeholder Inquiries – 2011-12



Service Standards Published

As part of its commitment to its customers, FSCO establishes service standards, monitors performance against these standards and reports results annually. These standards are a component of FSCO's Performance Management Framework.

In 2011-12, FSCO published the first set of service standards on its website. These standards cover telephone services, correspondence, life insurance agent licensing, defined benefit pension plan registrations and complaint handling. Monitoring of performance against these standards began and initial results were posted online. For example, 100 per cent of general correspondence was answered within 15 business days of receipt, and 72 per cent of complaints about how FSCO provides services were concluded within 15 business days.

A second set of standards were prepared in consultation with stakeholders. They apply to auto insurer rate filings, examinations in all sectors, and responses to inquiries about the website or requests for accessible web or print content. FSCO will publish the new standards on its website and further standards will be added as they are developed.

Accessibility for Ontarians with Disabilities Act

The Integrated Accessibility Standards Regulation under the Accessibility for Ontarians with Disabilities Act, 2005 came into force in July 2011. The regulation includes accessibility standards for employment, information and communications, and transportation. While government organizations were required to meet some obligations by January 1, 2012, compliance with most of the regulation is being phased in over a period of years.

FSCO conducted a review and analysis of its current processes to determine what changes or updates are needed to comply with the new regulation. Individualized emergency response plans for employees with disabilities were in place by the January 1, 2012 deadline. Work began on a multi-year accessibility plan that will identify how and when each of the other requirements will be met. This will be published on FSCO's website by January 1, 2013.

Diversity@FSCO

The Diversity@FSCO program, launched in 2009, is working to foster an organization that is inclusive, equitable, accessible and responsive to the diverse needs of all Ontarians. An employee team continued a campaign of staff education and awareness throughout 2011-12. A key initiative was to continue phasing in the Ontario Public Service Diversity and Inclusion Lens – a tool to help staff identify barriers they might not otherwise notice in developing policies, programs and services. As well, a toolkit was designed to assist all FSCO areas to manage and report back on their Diversity and Inclusion initiatives. This is due for release in 2012-13.

Information Tecnology Projects Saluted

After winning Ontario government awards in 2010, two FSCO information technology projects garnered national attention in 2011. The Compliance and Enforcement Tracking System II (CETS II) project and the Mediation and Arbitration Registration System (MARS) Redevelopment project were recognized as distinguished honourees at Canada's Government Technology Event (GTEC) in October 2011 in Ottawa. The GTEC Distinction Awards Program celebrates excellence and innovation in the use of information technology and information management in government service delivery in Canada.

CETS II consolidated five complaint and enforcement tracking systems onto a new state-of-the-art collaborative technology platform. The new CETS system seamlessly links all areas of FSCO that deal with compliance, investigations and legal activities. The MARS project successfully converted the outdated case management system for mediation, arbitration and appeals to a modern robust technology platform. The new technology offers more office productivity tools, and has more advanced development tools setting the stage for future enhancements.

Also during 2011-12, FSCO began working on the Enterprise Development Program, a multi-year strategy to implement a common approach to business processes across FSCO's regulated sectors. The first phase of the project deals with systems and business processes in the Pension Division, the Licensing and Market Conduct Division and the Motor Vehicle Accident Claims Fund. A key feature of the program will be the adoption of a consistent toolset, enabling common processes across FSCO lines of business. This will lead to streamlined activities, increased efficiency and ultimately a better service experience for FSCO's clients.

Report of the Financial Services Tribunal

Established by the FSCO Act, the Financial Services Tribunal (FST) is an expert, independent adjudicative body. It hears appeals from decisions and reviews proposed decisions made by the Superintendent of Financial Services (or the Deposit Insurance Corporation of Ontario) under statutes covering the regulated sectors including:

- the Pension Benefits Act
- the Insurance Act
- the Mortgage Brokerages, Lenders and Administrators Act, 2006
- the Credit Unions and Caisses Populaires Act, 1994
- the Loan and Trust Corporations Act
- the Co-operative Corporations Act

The FST is composed of nine to 15 members, including the Chair and two Vice-Chairs, all appointed by the Lieutenant Governor in Council. The Chair and Vice-Chairs of the FST are also the Chair and Vice-Chairs of FSCO.

Proceedings are conducted at the request of persons affected by the decisions or proposed decisions. The FST has exclusive jurisdiction to exercise the powers conferred on it by legislation and to determine all questions of fact or law that arise in its hearings.

Most cases are heard by a panel of three FST members, though sometimes a panel may have only one member. In appointing panels, consideration is given to members' expertise in the area of financial services that will be the subject matter of the hearing. An FST member who is not on the panel may be assigned to act as a mediator to help the parties reach a resolution and avoid a hearing.

The FST is committed to providing an expert, impartial hearing process that is accessible, prompt and fair. It has established its own Rules of Practice and Procedure and issued Practice Directions to guide the conduct of its hearings. Proceedings are also governed by the Statutory Powers Procedure Act. The FST has adopted streamlined procedures to expedite requests for hearings on decisions by the Superintendent regarding access to locked-in funds in cases of financial hardship.

For the convenience of hearing participants, the FST's hearing schedule, decisions, Rules of Practice and Procedure, and Practice Directions are posted online on the FST website at www.fstontario.ca. Biographical sketches of current FST members may also be found on this site.

A summary of the FST's activities in 2011-12 appears in Table 15.

Current Initiatives

In 2011-12, the FST continued an intensive review of its Rules of Practice and Procedure, including the prescribed forms. The rules need updating to reflect the evolution of case law, financial services legislation and the principles of administrative law. The review is also intended to streamline the FST's processes to better meet the objective of delivering timely and fair hearings. During the year FST considered input on draft changes from a consultation process involving its Legal Advisory Committee and other stakeholders.

A priority for the FST is the maintenance of expertise in financial services and administrative law. Members receive ongoing education from external training programs and through discussions and presentations on specific topics at quarterly meetings.

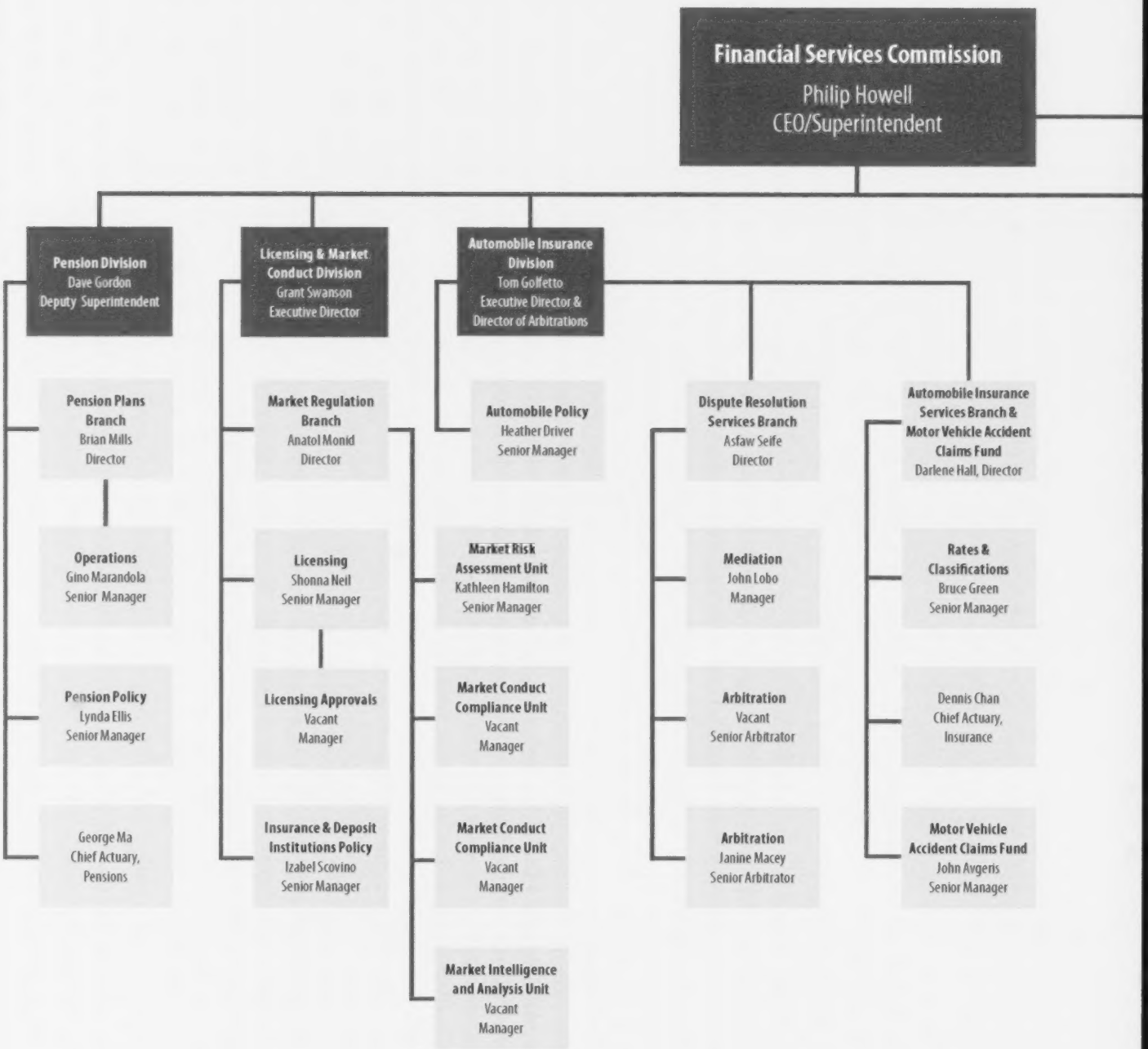
Ontario

Table 15 – Financial Services Tribunal Activities								
Activity	**Pension Matters (Excluding Financial Hardship) #**	**Pension Matters (Financial Hardship) #**	**Mortgage Brokering Matters #**	**Insurance Matters #**	**Credit Union Matters #**	**Loan & Trust Matters #**	**Total 2011-2012 #**	**Total 2010 -2011 #**
Cases Pending at Beginning of Year	4	–	3	4	1	–	12	24
New Cases Received	8	–	31	4	1	–	44	25
Files Closed	3	–	15	5	1	–	24	37
Cases Pending at End of Year	9	–	19	3	1	–	32	12
Oral Hearing Days	3	–	14	1	–	–	18	10
Written Hearings	1	–	–	–	–	–	1	4
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	31	–	38	22	5	–	96	49
Total Hearing (Oral and Written) and Activity Days before FST	35	–	52	23	5	–	115	63

Notes:

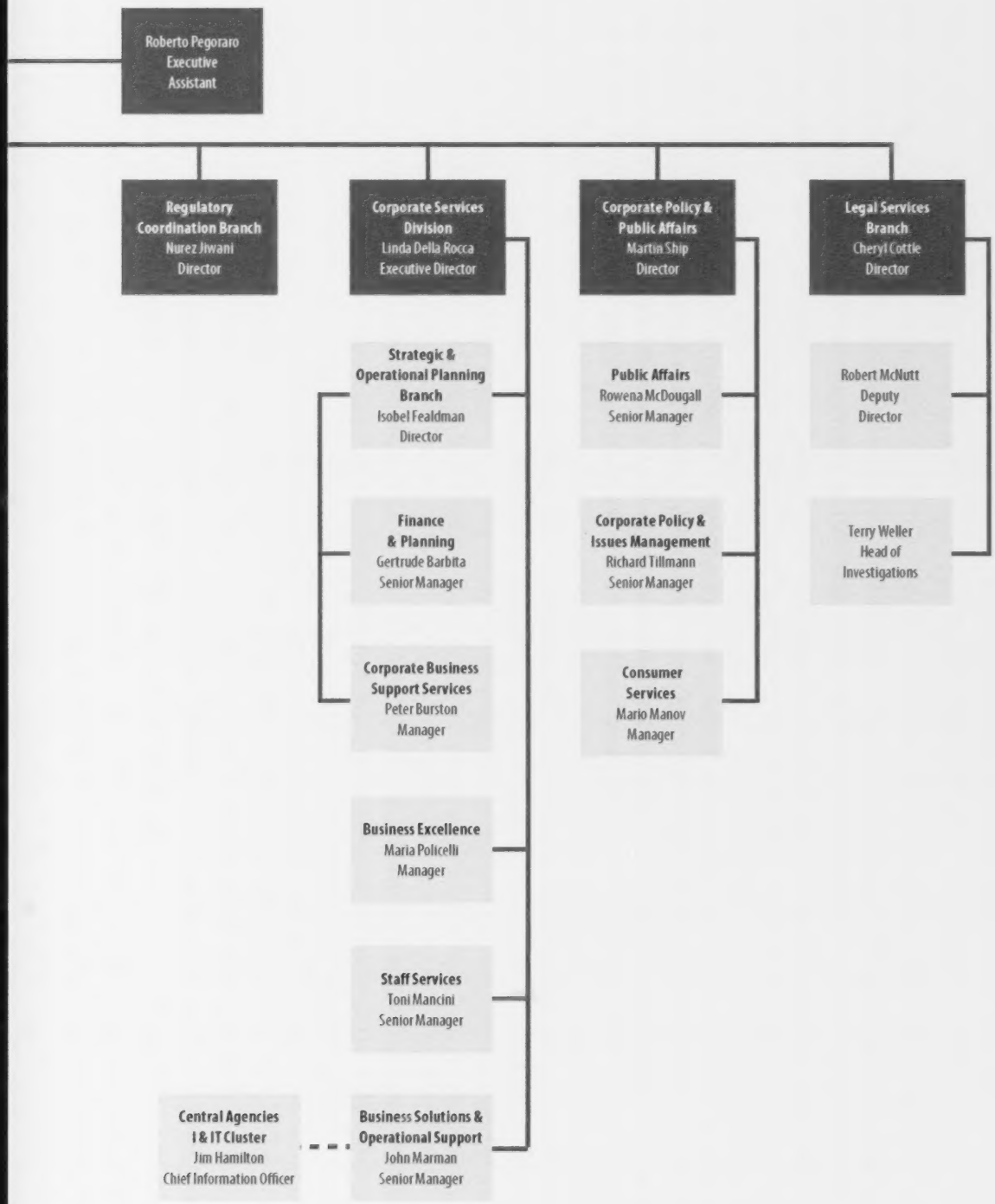
1. *Table does not include FST quarterly meetings, days for deliberation or decision writing.*
2. *Numbers may reflect activity in respect of files opened prior to 2011-12 fiscal year.*
3. *Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.*

Financial Services Commission of Ontario



Organization Chart

As at March 31, 2012



Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

Management's Statement

Financial Services Commission of Ontario

Chief Executive Officer and
Superintendent of Financial Services

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Commission des services financiers de l'Ontario

Directeur général et
surintendant des services financiers

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Toronto ON M2N 6L9

Téléphone: (416) 590-7000
Télécopieur: (416) 590-7078

Ontario

October 23, 2012

Management's Responsibility for Financial Information

The Financial Services Commission of Ontario (Commission) was established under the Financial Services Commission of Ontario Act, 1997. Under the Act the Superintendent is responsible for the financial and administrative affairs of the Commission.

Under the direction of the Superintendent, Management of the Commission is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian public sector accounting standards. The preparation of financial statements involves the use of management's judgment and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of the Commission is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. They have been approved by the Commission's Audit and Risk Committee. The Auditor's report follows.

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

Linda Della Rocca
Executive Director,
Corporate Services Division

Auditor's Statement

Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur general de l'Ontario

Independent Auditor's Report

To the Financial Services Commission of Ontario and to the Minister of Finance

I have audited the accompanying financial statements of the Financial Services Commission of Ontario, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April I, 2010 and the statements of operations and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my opinion.

Opinion
In my opinion, these financial statements present fairly, in all material respects, the financial position of the Financial Services Commission of Ontario as at March 31, 2012, March 31, 2011 and April 1, 2010, and its results of operations, and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

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Toronto, Ontario
October 23, 2012

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

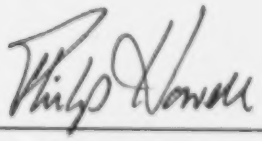
Balance Sheet
As at March 31, 2012

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
ASSETS			
Current			
Cash	7	6	7
Accounts receivable	430	175	2,979
Prepaid expenses	37	32	78
Due from the Province (Note 8b)	31,813	30,291	30,832
	32,287	30,504	33,896
Capital assets, net (Note 4)	12,896	10,808	9,426
	45,183	41,312	43,322
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	10,095	10,812	12,875
	10,095	10,812	12,875
Employee future benefits obligation (Note 8a)	8,930	8,038	7,705
Deferred revenue (Note 5)	11,886	9,746	10,875
Deferred lease inducements (Note 6)	1,376	1,908	2,441
Net assets			
Invested in capital assets	12,896	10,808	9,426
	45,183	41,312	43,322

Commitment and Contingencies (Note 10)

See accompanying notes to financial statements

Approved by:



Chief Executive Officer and
Superintendent of Financial Services

Statement of Operations

For the Year Ended March 31, 2012

Ontario

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)
Revenue (Note 7)		
Assessments	48,183	46,800
Fees, licences, registrations and other	11,400	9,603
	59,583	56,403
Expenses		
Salaries and wages	37,811	36,599
Employee benefits (Note 8a)	8,912	7,769
Transportation and communication	717	689
Services	14,596	14,695
Supplies and equipment	652	742
Amortization	2,422	1,947
Bad debt expense	80	4
	65,190	62,445
Less: Recoveries (Note 9)	3,251	3,435
	61,939	59,010
Deficiency of revenue over expenses	(2,356)	(2,607)

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2012

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	(2,356)	(2,607)
Items not affecting cash		
Amortization of capital assets	2,422	1,947
Employee future benefits (Note 8a)	893	333
Bad debt expense	80	4
Changes in non-cash working capital		
Accounts receivable	(335)	2,800
Prepaid expenses	(5)	46
Accounts payable and accrued liabilities	(717)	(2,063)
Due from the Province	2,922	4,530
Amortization of deferred lease inducements	(533)	(533)
Deferred Revenue	2,140	(1,129)
	4,511	3,328
Cash flows from capital activity		
Purchase of capital assets	(4,510)	(3,329)
	(4,510)	(3,329)
Net change in cash position	1	(1)
Cash position, beginning of year	6	7
Cash position, end of year	7	6

See accompanying notes to financial statements

Notes to Financial Statements

March 31, 2012

Ontario

1. OPERATIONS OF THE COMMISSION

The Financial Services Commission of Ontario (Commission) was established under the Financial Services Commission of Ontario Act, 1997. The Commission's mandate through its regulated activities is to protect the public interest and enhance public confidence in insurance, pensions, credit unions, trust companies, caisses populaires, co-operatives and mortgage brokers, and also to make recommendations to the Minister of Finance on matters affecting the regulated sectors. The Commission administers the following legislation: Insurance Act, Pension Benefits Act, Credit Unions and Caisses Populaires Act, Loan and Trust Corporations Act, Mortgage Brokerages, Lenders and Administrators Act and Co-operative Corporations Act. As a regulatory agency of the Province of Ontario, the Commission is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by the management of FSCO in accordance with Public Sector Accounting Standards for not-for-profit organizations (PSA-NPO) as issued by the Public Sector Accounting Board (PSAB). This is the first time that the Commission has prepared its financial statements in accordance with PSA-NPO, having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). Details of how the transition from Canadian GAAP to PSA-NPO has affected the financial position and financial performance are disclosed in Note 3. The significant accounting policies used to prepare these statements are summarized below.

(a) Capital Assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over their estimated useful life. The useful life of the Commission's capital assets has been estimated as follows:

Purchased software	3 years
Custom developed software	3-5 years
Office furniture and equipment	5 years
Computer hardware	3-6 years
Leasehold improvements	over the term of the lease

(b) Revenue Recognition

Assessment revenues from the insurance, pension, credit union, caisses populaires and the loan and trust sectors are recognized when the recoverable costs to administer the various Acts governing these sectors are incurred.

Revenues from fees, licences and registrations are recognized in the year to which they pertain.

(c) Financial Instruments

The Commission follows PSA-NPO pertaining to financial instruments. Under these standards, all financial instruments are included on the statement of financial position and are measured either at fair value or at cost or amortized cost. The Commission's Accounts receivable, and the Accounts payable and accrued liabilities are recorded at cost in the financial statements.

(d) Use of Estimates

The preparation of financial statements in accordance with PSA-NPO requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual amounts could differ from these estimates.

3. CHANGE IN BASIS OF ACCOUNTING

The Commission issued financial statements for the year ended March 31, 2011 using Canadian GAAP. The adoption of PSA-NPO resulted in no retroactive adjustments to previously reported financial statements. As at April 1, 2011, the Commission early adopted PS 3450 Financial Instruments and applied the measurement provision prospectively. The adoption of this standard did not result in any re-measurement gains and losses in the current year financial statements.

4. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	($ 000)			($ 000)
Purchased computer software	180	177	3	36
Custom developed software	7,994	5,045	2,949	2,570
Custom software under development	2,380	0	2,380	1,877
Leasehold improvements	7,630	2,577	5,053	3,904
Computer hardware	2,389	1,296	1,093	1,186
Office furniture and equipment	2,233	815	1,418	1,235
	22,806	9,910	12,896	10,808

5. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in the deferred revenue balances during fiscal 2011-12 are summarized as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
	($ 000)			
Insurance Agents	3,789	3,835	4,174	3,450
Insurance Adjusters	24	95	98	21
Mortgage Brokers	4,813	8,000	5,675	7,138
Insurance Corporations	962	823	957	828
Other	158	929	638	449
	9,746	13,682	11,542	11,886

6. DEFERRED LEASE INDUCEMENTS

The Commission's office accommodation lease was extended from October 31, 2008 to October 31, 2015 with two further options to extend the term for five years each. The lease extension included a leasehold improvement allowance in the amount of $2.005 million for renovations in the first two years and no base rent payable in the amount of $0.64 million for the first ten months of the lease extension. The Commission has utilized the entire allowance.

The deferred lease inducement is made up of the portion of future lease payments attributed to the rent-free period and the leasehold improvements allowance and will be recognized as reduced rent expense over the term of the lease on a straight line basis.

	2012 ($ 000)	2011 ($ 000)
Balance, beginning of year	2,441	2,974
Less: Lease Inducements Amortization	(533)	(533)
Deferred Lease Inducements	1,908	2,441
Less: current portion	(532)	(533)
Balance, end of year	1,376	1,908

7. REVENUE

Under the Financial Services Commission of Ontario Act, the Commission may recover all of its costs through revenue assessments and fees charged to all entities that form part of the regulated sectors. The Commission's deficiency of $2.4 million (2011 - $2.6 million) resulted mostly from the Financial Hardship Program waiver of fees that continued in 2012 and the deficiency from the Co-operatives sector. The deficiency has been absorbed by the Province and is reflected in the Due from the Province on the statement of financial position. For the fiscal year, revenue from the following Acts and regulations made under the Acts administered by the Commission are:

	2012 ($ 000)	2011 ($ 000)
Insurance Act		
Insurer assessment	30,726	28,755
Fees, licences and other	5,426	5,212
Pension Benefits Act		
Pension plan assessment	16,683	16,885
Registration fees and other	118	106
Pension unlocking fees and other	0	27
Credit Unions and Caisses Populaires Act		
Credit Union assessment	722	976
Fees and other	152	149
Loan and Trust Corporations Act		
Loan and Trust assessment	52	184
Fees, licences and registrations	7	4
Mortgage Brokerages, Lenders and Administrators Act, 2006		
Fees, Licences, Registrations and other	5,682	4,094
Co-operative Corporations Act		
Fees and other	15	11
	59,583	56,403

Ontario

8. RELATED PARTY TRANSACTIONS

(a) Employee Benefits

The Commission's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Commission's employees is recognized in the Province's consolidated financial statements. These benefits are accounted for by the Commission as follows:

i. Pension Benefits

The Commission's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Commission's annual payments to the funds. Since the Commission is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Commission, as the sponsors are responsible for ensuring that the pension funds are financially viable. The Commission's annual payments of $2.95 million (2011 - $2.728 million) are included in employee benefits in the Statement of Operations.

ii. Employee Future Benefits Obligation

Employee future benefits include accrued severance entitlements, unused vacation and other future compensation entitlements earned. Severance entitlements under the Public Service of Ontario Act (2006) were non-actuarially estimated based on one week pay for every year of service for those employees with a minimum of five years of service. These costs for the year amount to $0.792 million (2011 - $0.587 million) and are included in employee benefits and salaries and wages in the Statement of Operations. Amounts due within one year totaling $2.75 million are included in accounts payable and accrued liabilities.

iii. Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

(b) Amounts due from/to the Province

Cash receipts are deposited into the Consolidated Revenue Fund (CRF) of the Province of Ontario. Expenses are paid out of monies appropriated therefore by the Legislature of the Province of Ontario. The difference between the cash receipts submitted to the Province and the expenses paid or owing the Province is reflected in the financial statements as either a due from or due to the Province depending on the timing of the cash flows.

(c) Other administrative expenses

The Ontario Ministry of Government Services absorbs the costs of certain administrative expenses. The Ministry of Finance and the Ministry of the Attorney General have also charged for both administrative costs and human resources costs related to information technology and legal staff provided to the Commission based on the Ministries' actual costs.

9. RECOVERIES

The Commission provides administrative and other support services to a number of organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. Details of these recoveries are as follows:

	2012 ($ 000)	2011 ($ 000)
Motor Vehicle Accident Claims Fund (Related Party)	1,711	1,927
Pension Benefits Guarantee Fund (Related Party)	480	508
General Insurance Statistical Agency	409	362
Joint Forum of Financial Market Regulators	242	212
Canadian Association of Pension Supervisory Authorities	174	181
Canadian Council of Insurance Regulators	222	227
Canada Revenue Agency	13	18
	3,251	3,435

10. COMMITMENT AND CONTINGENCIES

(a) The Commission's office accommodation lease has been extended from October 31, 2008 to October 31, 2015 as explained in Note 6. As a result the Commission is committed to minimum lease payments for office space as follows:

	($ 000)
2012/2013	5,254
2013/2014	5,261
2014/2015	5,384
2015/2016	3,180
	19,079

(b) The Commission is involved in various legal actions arising out of the ordinary course of business. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

11. SECURITIES ON DEPOSIT

The Insurance Act authorizes the Commission to require insurance companies to deposit securities in any amount it considers necessary and on such conditions as it considers proper. Such amounts might be held to satisfy requirements of other jurisdictions with which the Province of Ontario has reciprocal agreements.

As at March 31, 2012 the market value of the securities held by the Commission under the Insurance Act was $0.158 million (2011 - $0.158 million).

Income earned on the securities is paid directly to the insurance companies depositing the securities. These securities and the related income are not recorded in the financial statements.

12. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the financial statement presentation adopted for 2012.

Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

PENSION BENEFITS GUARANTEE FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

Management's Statement

Financial Services Commission of Ontario

Deputy Superintendent
Pension Division

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Commission des services financiers de l'Ontario

Surintendant adjoint
Division des régimes de retraite

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Ontario

June 27, 2012

Pension Benefits Guarantee Fund
Management's Responsibility for Financial Information

The Superintendent of the Financial Services Commission of Ontario (FSCO) pursuant to the Financial Services Commission of Ontario Act, 1997 is responsible for the administration of the Pension Benefits Guarantee Fund.

Under the direction of the Superintendent, Management of FSCO is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian public sector accounting standards. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of FSCO, in the administration of the Pension Benefits Guarantee Fund, is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. They have been approved by the Commission's Audit & Risk Committee. The Auditor's report follows.

K. David Gordon
Deputy Superintendent, Pensions

Javier Aramayo
Acting Chief Accountant

Auditor's Statement

Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Financial Services Commission of Ontario and to the Minister of Finance

I have audited the accompanying financial statements of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario, which comprise the balance sheets as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and fund surplus and cash flows for the years ended March 31, 2012 and March 31,2011, and the statement of re-measurement gains and losses for the year ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my opinion.

Opinion
In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission's Pension Benefits Guarantee Fund as at March 31, 2012, March 31, 2011 and April 1, 2010, and its results of operations and fund surplus, and its cash flows for the years ended March 31, 2012 and March 31, 2011, and its re-measurement gains and losses for the year ended March 31, 2012 in accordance with Canadian public sector accounting standards.

Sustainability of the Fund
As referred to in note 11, the sustainability of the Fund is dependent upon recent changes brought about by the approval of a new regulation effective January 1, 2012.

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Toronto, Ontario
June 27, 2012

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Balance Sheet

As at March 31, 2012

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
ASSETS			
Current			
Cash	1	1	1
Accounts receivable	104,689	50,558	40,444
Investments (Note 5)	233,085	617,028	628,348
	337,775	667,587	668,793
LIABILITIES AND FUND DEFICIT			
Current			
Accounts payable and accrued liabilities	7,937	3,997	3,456
Current portion of loan payable (Note 6)	11,000	11,000	11,000
Claims payable	109,287	521,910	410,751
	128,224	536,907	425,207
Loan payable (Note 6)	133,309	136,861	140,243
	261,533	673,768	565,450
Fund surplus / (deficit) from operation	76,128	(6,181)	103,343
Accumulated Remeasurement Gains	114	–	–
Fund surplus/ (deficit)	76,242	(6,181)	103,343
	337,775	667,587	668,793

See accompanying notes to financial statements

Approved by:

Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

Statement of Operations

For the Year Ended March 31, 2012

Ontario

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)
Revenue		
Premium revenue	106,847	57,419
Pension plan recoveries (Note 8)	12,384	4,444
Investment income (Note 5)	3,087	5,242
	122,318	67,105
Expenses		
Claims	29,973	166,472
Amortization of loan discount (Note 6)	7,447	7,618
Pension Consulting Services (Note 9)	2,064	1,797
Administration fee (Note 10)	480	508
Investment management fees (Note 10)	85	205
Unrealized gain (loss) on investments (Note 5)	–	71
	40,049	176,671
Recoveries of pension consulting services	(40)	(42)
Excess of revenue over expenses/(expenses over revenue)	82,309	(109,524)
Fund surplus / (deficit), beginning of year	(6,181)	103,343
Fund surplus / (deficit), end of year	76,128	(6,181)

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2012

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess of revenue over expenses/(expenses over revenue)	82,309	(109,524)
Items not affecting cash:		
Unrealized (gain) loss on investments (Note 5)	–	71
Amortization of loan discount (Note 6)	7,447	7,618
Loss on disposal of investments (Note 5)	293	627
	90,049	(101,208)
Changes in non cash working capital		
Accounts receivable	(54,131)	(10,114)
Accounts payable and accrued liabilities	3,940	541
Claims payable	(412,623)	111,159
	(372,764)	378
Cash flows from investing activities		
Purchases of investments	(4,145,536)	(9,661,394)
Proceeds from sale of investments	4,529,300	9,672,016
	383,764	10,622
Cash flows from financing activities		
Loan repayments	(11,000)	(11,000)
	(11,000)	(11,000)
Change in cash position	(0)	(0)
Cash position, beginning of year	1	1
Cash position, end of year	1	1

See accompanying notes to financial statements

Statement of Re-measurement Gains and Losses

For the Year Ended March 31, 2012

Ontario

	March 31, 2012 ($ 000)
Accumulated re-measurement (losses), beginning of year	-
Unrealized Gains	114
Accumulated re-measurement gains, end of year	114

Notes to Financial Statements

March 31, 2012

1. STATUTORY AUTHORITY

The Pension Benefits Guarantee Fund (the "Fund") is continued under the Pension Benefits Act, R.S.O. 1990, c. P.8 (the "Act").

2. FUND OPERATIONS

The purpose of the Fund is to guarantee payment of certain pension benefits of certain defined benefit pension plans wound up under conditions specified in the Act and regulations thereto. The regulations also prescribe an assessment payable into the Fund by plan registrants.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans or grants on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund including any loans or grants received from the Province.

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the Financial Services Commission of Ontario Act, 1997 is responsible for the administration of the Fund, and the Fund reimburses FSCO for the costs of the services provided. The investments of the Funds are managed by the Ontario Financing Authority, on a fee basis which are paid by the Fund.

The Fund is classified as a government not-for-profit organization for accounting purposes.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared by the management of FSCO in accordance with Public Sector Accounting Standards for not-for-profit organizations (PSA-NPO) as issued by the Public Sector Accounting Board (PSAB). This is the first time that the Fund has prepared its financial statements in accordance with PSA-NPO, having previously prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). Included below are those accounting policies that are significant to the Fund. Details of how the transition from Canadian GAAP to PSA-NPO has affected the financial position and financial performance are disclosed in Note 4.

(a) Financial Instruments

The Fund follows PSA-NPO pertaining to financial instruments. Under these standards, all financial instruments are included on the balance sheet and are measured either at fair value or at cost or amortized cost.

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the statement of re-measurement gains and losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable is valued at cost which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are recorded at cost which approximates fair value given their short term maturities.
- The non-interest bearing loan payable is reflected at amortized cost using the effective interest rate method due to the concessionary nature of the loan. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.

(b) Claims Payable

Claims payable are liabilities in respect of those defined benefit pension plans prescribed by the Act that are wound up or in the process of being ordered wound up under conditions specified in the Act, and the amounts can be reasonably estimated. Liabilities are also recognized when there is a high probability a company will not emerge from creditor protection and the pension plan will be wound up on a specified date and the claim can be reasonably estimated. Claims payable are based on information provided by appointed pension plan administrators or estimates provided from actuarial consultants. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans.

Differences in the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to claims expense in the year when the actual amounts are determined.

(c) Premium Revenue

An estimate of the premium revenue due from defined benefit pension plans at rates prescribed by the Act is recorded until receipt of the annual assessment certificate nine months after the plan's fiscal year end.

Differences in premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to premium revenue in the year when the actual amounts are determined.

(d) Use of Estimates

The preparation of financial statements in accordance with PSA-NPO requires that FSCO's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates and the differences could be material. Areas where significant estimates must be made include premium revenue and claims payable.

Ontario

4. CHANGE IN BASIS OF ACCOUNTING

The Fund issued financial statements for the year ended March 31, 2011 using Canadian GAAP. The adoption of PSA-NPO resulted in no retroactive adjustments to previously reported financial statements. As at April 1, 2011, the Fund early adopted PS 3450 Financial Instruments and applied the measurement provision prospectively. The adoption of this standard resulted in the inclusion of the statement of re-measurement gains and losses in the current year financial statements. The prior year financial statements, including comparative information have not been restated.

5. INVESTMENTS

As administrator of the investment assets of the Fund, FSCO has formed a Fund Management Committee, developed a Statement of Investment Policies and Guidelines and appointed the Ontario Financing Authority, a related party, as investment manager. The statement provides operational objectives, investment principles, policies and guidelines for the management of the investments and is reviewed annually.

Investments consist of:

	2012 ($ 000)		2011 ($ 000)	
	Fair Value	Cost	Fair Value	Cost
Discounted notes	210,731	210,731	441,671	441,671
Government bonds	22,354	22,374	175,357	175,491
	233,085	233,105	617,028	617,162

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. The realized loss on the sale of securities amounted to $293 thousand (2011 – realized loss of $627 thousand). Unrealized changes in the market value of investments are reflected separately on the statement of re-measurement gains or losses.

The Fund's investment portfolio is exposed to various risks, which are mitigated by the type of investment and therefore risk is low.

The market value sensitivity of the portfolio at the end of the last quarter was $400 thousand for a 1.00% change in rates.

Discounted notes with maturities between April 2012 and July 2012 have yields in the range of 0.926% to 1.150% (2011 – maturities between April 2011 and July 2011 and yields in the range of 0.918% to 1.180%).

Government bonds with maturities between April 2012 and June 2012 have yields in the range of 1.599% to 1.981% (2011 – maturities between May 2011 and November 2011 and yields of 1.299% and 2.052%).

6. LOAN PAYABLE

Non-interest Bearing Loan

On March 31, 2004, the Fund obtained a $330 million loan from the Province, a related party. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of $11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total $55 million.

The face value of this non-interest bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its fair value outstanding as of March 31, 2012 as follows:

	2012 ($ 000)	2011 ($ 000)
Face Value	242,000	253,000
Less: Discount	(97,691)	(105,139)
Fair Value	144,309	147,861
Classified as:		
Current Portion	11,000	11,000
Long Term Portion	133,309	136,861
Balance	144,309	147,861

The discount will be amortized to loan discount expense over the term of the loan based on the effective interest rate method. Amortization for the subsequent five fiscal years is as follows:

Fiscal Year	($ 000)
2013	7,269
2014	7,081
2015	6,883
2016	6,676
2017	6,458

7. FINANCIAL INSTRUMENTS

The main risks that the Fund's financial instruments are exposed to are credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Fund is exposed to credit risk relating to the collection of receivables. The Fund considers this risk to be low.

The Fund's accounts receivable consists of premium revenue of $104.2 million, investment income of $276 thousand and the GST/HST receivable of $211 thousand.

The premium revenue receivable recorded is based on a one year projection time frame and the probability for a pension plan to become insolvent and not pay the premium within a year is very low. In addition, in the event that a pension plan would become insolvent within a year, there are legal options for the Fund that can be exercised to collect the premiums. Historically, the Fund has been able to collect the amounts estimated as premium receivable.

The risk of not collecting the investment income and the GST/HST receivable is considered to be minimal.

Liquidity Risk

The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities. As at March 31, 2012, the Fund had an investment balance of $233 million (2011 – $617 million) to settle current liabilities of $128 million (2011 – $537 million). In addition, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Fund. Short-term financial instruments (receivables accounts payable) are not subject to significant market risk. The Fund manages its market risk by investing assets in low-risk and liquid securities. The Fund's market risk is considered to be low.

8. PENSION PLAN RECOVERIES

Following distribution of claims and submission of a final wind up report any remaining funds are recovered by the Fund. During fiscal 2012, $12,384 thousand (2011 – $4,444 thousand) in recoveries were made by the Fund.

9. PENSION CONSULTING SERVICES

The Fund periodically engages the services of experts to represent the Fund's interests with respect to companies which have made claims against the Fund. For fiscal 2012, $2,064 thousand was paid to such experts related to negotiations involving one company (2011 – $1,797 thousand involving one company).

10. RELATED PARTY TRANSACTIONS

For fiscal 2012, an administration fee of $480 thousand (2011 – $508 thousand) was incurred and has been paid to FSCO for management salaries and benefits, accounting, information technology, legal, pension and other services. The Fund and FSCO are related parties.

Investment Management fees of $85 thousand include fees of $78 thousand (2011 – $191 thousand) paid to the Ontario Financing Authority, a related party.

The costs of processing premium revenue transactions are absorbed by FSCO without charge to the Fund.

Other related party transactions during the year have been disclosed in notes 5 and 6.

11. MEASURES TO SUSTAIN THE FUND

Regulation 466/11, which came into effect January 1, 2012, implemented changes to the Fund. The most significant changes brought about by this new legislation for pension plans entitled to make a claim are as follows:

- raising the base fee per Ontario plan beneficiary (active members, retired members and other beneficiaries) from $1.00 to $5.00
- raising the maximum fee per Ontario plan beneficiary in unfunded pension plans from $100.00 to $300.00
- eliminating the current $4 million assessment cap for unfunded pension plans
- introducing a minimum assessment of $250.00 for every pension plan covered by the Fund
- eliminating the current exemption for pension plans that are assessed $25.00 or less

The increased revenues resulting from these changes should enhance the sustainability of the Fund.

12. SUBSEQUENT EVENTS

The total recoveries of $20 – 25 million dollars are expected in 2012-13.

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

FINANCIAL STATEMENTS

MARCH 31, 2012

Management's Statement

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Management Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management in accordance with Canadian generally accepted accounting principles has prepared the financial statements and where appropriate included amounts based on Management's best estimates and judgements.

Management agrees with the work of the specialists in evaluating the Unpaid Claims amount and has adequately considered the qualifications of the specialist in determining amounts and disclosures used in the notes to financial statements. Management did not give any, nor cause any instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario ("FSCO") and the FSCO Audit Committee.

Ernst & Young, Chartered Accountants who are engaged under the direction of the Auditor General, have examined the financial statements. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditor's report outlines the scope of the auditor's examination and report.

John Avgeris
Senior Manger
Motor Vehicle Accident Claims Fund

Peter McGuinness
Manager, Finance and Accounting
Motor Vehicle Accident Claims Fund

Auditor's Statement

Independent Auditors' Report

To the Audit and Risk Committee of the Financial Services Commission of Ontario and the Auditor General of Ontario

Pursuant to our appointment as auditor of the Motor Vehicle Accident Claims Fund ("MVACF"), which audit is under the direction of the Auditor General of Ontario, we have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and MVACF deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Motor Vehicle Accident Claims Fund as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matter

The financial statements of the Motor Vehicle Accident Claims Fund for the year ended March 31, 2011 were audited by another auditor who expressed an unmodified opinion on those statements on June 24, 2011.

Ernst & Young LLP

Kitchener, Canada
June 27, 2012

Chartered Accountants
Licensed Public Accountants

ERNST & YOUNG

Statement of Financial Position

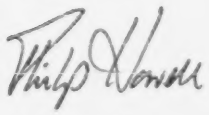
As at March 31, 2012

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

	2012 $	2011 $
ASSETS		
Current		
Funds on Deposit with the Ministry of Finance	43,967,853	44,483,824
Accounts Receivable - Driver's Licence Fees	2,541,775	2,881,951
Accounts Receivable - Debtors (Note 3c)	48,394,734	45,920,998
Less: Allowance for Doubtful Accounts	31,496,957	28,716,139
	16,897,777	17,204,859
Long Term		
Tangible Capital Assets (Note 4)	549,485	571,899
Less: Accumulated Amortization	532,891	544,230
	16,594	27,669
Unpaid Claims Recoverable (Note 5)	1,499,442	1,850,739
Total Assets	64,923,441	66,449,042
LIABILITIES & MVACF DEFICIT		
Accounts Payable and Accrued Expenses	899,019	1,491,865
Employee Future Benefits Obligation (Note 3g)	601,267	577,203
Deferred Revenue	69,646,054	68,854,672
Unpaid Claims and Adjustment Expenses (Note 5)	138,709,542	157,839,053
Total Liabilities	209,855,882	228,762,793
MVACF Deficit (Note 2)	(144,932,441)	(162,313,751)
Total Liabilities & MVACF Deficit	64,923,441	66,449,042

See accompanying notes to financial statements

APPROVED:



Philip Howell
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

Statement of Operations & MVACF Deficit

For the Year Ended March 31, 2012

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

	2012 $	2011 $
REVENUE		
Fees on Issue or Renewal of Driver's Licences	28,611,773	28,727,445
Change in Deferred Revenue	(791,382)	(1,317,881)
Fees Earned	27,820,391	27,409,564
Prior Year Recoveries	2,366,379	1,519,655
Other Revenue	2,188	2,111
Total Revenue	30,188,958	28,931,330
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	(18,778,214)	(11,683,167)
Accident Benefit Claims Payments	18,797,230	14,846,673
Administrative Expenses		
Salaries and Wages	1,702,952	1,702,340
Employees' Benefits	264,767	278,193
Transportation and Communication	25,905	26,127
Claims (Solicitors' Fees, etc.)	1,760,484	2,044,081
Accident Benefit Claims Expense	1,687,485	1,625,775
Other Services	1,345,880	1,468,359
Bad Debts Expense	5,958,150	4,215,697
Supplies and Equipment	13,172	25,315
Amortization Expense	11,837	114,500
Total Expenses	12,807,648	14,663,893
Excess of Revenue over Expenses	17,381,310	14,267,437
MVACF Deficit, Beginning of Year	(162,313,751)	(176,581,188)
MVACF Deficit, End of Year	(144,932,441)	(162,313,751)

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2012

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

	2012 $	2011 $
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	28,951,958	29,829,842
Repayment by Debtors	1,545,393	1,540,136
Prior Year Recoveries	2,366,379	1,519,655
Other Revenue	2,188	2,111
	32,865,918	32,891,744
Cash Outflows		
Statutory Payments	(26,405,452)	(21,035,046)
Payments to Employees	(1,949,413)	(2,000,296)
Administrative Expenses	(5,026,262)	(4,673,261)
	(33,381,127)	(27,708,603)
Net Cash (Outflow) Inflow from Operating Activities	(515,209)	5,183,141
INVESTING ACTIVITIES		
Cash Outflows		
Acquisition of Computer Equipment	(762)	(21,834)
Net Cash Outflow from Investing Activities	(762)	(21,834)
Net (Decrease) Increase in Funds on Deposit with the Ministry of Finance	(515,971)	5,161,307
Funds on Deposit with Ministry of Finance, Beginning of Year	44,483,824	39,322,517
Funds on Deposit with Ministry of Finance, End of Year	43,967,853	44,483,824

Notes to Financial Statements

March 31, 2012

Ontario

1. STATUTORY AUTHORITY

The Motor Vehicle Accident Claims Fund (MVACF) operates under the authority of the Motor Vehicle Accident Claims Act (the "Act"), R.S.O. 1990, Chapter M.41 as amended.

2. MVACF OPERATIONS

The MVACF is a program that was created on July 1, 1947 as the Unsatisfied Judgment Fund. Initially, MVACF was required to respond to victims of uninsured motorists and hit-and-run drivers who could not recover damages awarded by the courts from an automobile insurance company. MVACF legislation was amended in the early 1960s, in 1979 with the Compulsory Automobile Insurance Act, and in 1990 by the Insurance Statute Law Amendment Act which required MVACF to include in its statutory payments, accident benefits on a no-fault basis for the first time. Currently, MVACF responds to claims in the same fashion and with the same exclusions as automobile insurers in Ontario, and provides for two types of coverages: third party bodily injury and property damage liability (collectively referred to as TPL), and statutory accident benefits or SABS in accordance with legislated requirements.

The coverage provided by MVACF is analogous to the minimum required coverage under the standard automobile policy (OAP 1) approved by the provincial regulator. Unlike insurance companies, MVACF does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where MVACF pays claims for accident benefits, it has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

MVACF operates administratively under the direction of the Financial Service Commission of Ontario (FSCO) and reimburses FSCO for the costs of the services it provides to MVACF.

The Lieutenant Governor in Council, having regard to the condition of MVACF and the amount paid out of MVACF during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize and fund MVACF's operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting principles recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

a) Driver's Licence Fees and Deferred Revenue

MVACF earns a fee of $15.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

b) Accounts Receivable – Fees

Under the Act, MVACF receives from the Ministry of Transportation and Serco DES a monthly internal transfer and payment representing the drivers' licence fee prescribed by Ontario Regulation 800. Accordingly, unremitted licence fees are reported as accounts receivable.

c) Accounts Receivable – Debtors and Restatement

MVACF maintains an accounts receivable portfolio, accumulated over the years as a result of judgments and claims assigned to the Minister of Finance. MVACF will pay damages to injured, not-at-fault, victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the Act, these amounts are recoverable from the uninsured motorists. Total repayments received from debtors are reflected in the statement of cash flows.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of MVACF and the activity on the account since the date of the judgment.

The write-off process depends on established criteria that parallel the criteria established by the Ministry of Finance. These criteria are used to select a block of accounts at the beginning of April that is reviewed by collections staff.

The Ministry of Finance, Internal Audit Section audits the work of the collections staff and provides a certificate of assurance to verify that the established criteria for the write-off have been met. The write-off transaction is authorized by an order-in-council under the authority set out in the Financial Administration Act .

In the current year $0.8 million (2011 – $1.6 million) of the Accounts Receivable was reinstated through the bad debt expense account.

For fiscal 2011-12 a write-off of $4.0 million (2010 – $5.3 million) was submitted to the Ministry of Finance and approved by the Treasury Board. This write-off is recorded in the curent year's financial statements in bad debts expense.

d) Prior Year Recoveries

Prior year recoveries are generated from three main sources – insurance recoveries, reversionary interest (Note 6) and recoveries of court costs. MVACF is required under the Statutory Accident Benefits Schedule (SABS) to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations. Accordingly,

when new information is available, MVACF may be required to pursue private insurers for recoveries.

From time to time MVACF may also be involved in the defence of uninsured motorists or the Superintendent of FSCO, where the legal proceedings are deemed frivolous and MVACF is awarded costs by the courts.

Prior year recoveries are recorded in the period they are determined. In the current year $2.4 million (2011 – $1.5 million) recoveries were recorded but related to prior year claims.

e) Unpaid Claims

Unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation. Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money, because MVACF reports no investment income.

The provision for unpaid claims and adjustment expenses consists of estimates that are necessarily subject to uncertainty and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity and frequency of claims from historical trends. All changes in estimates are recorded in the current period.

MVACF has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments in the form of structured settlements (Note 6).

Settlements occur when there is an irrevocable direction from MVACF to the life insurer to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to MVACF. MVACF remains liable to make payments only in the event that the life insurer fails and only to the extent that Assuris, the life insurance industry's insolvency compensation fund, will not cover payments due. The net risk to MVACF is any credit risk related to the life insurers. This credit risk is deemed nil at March 31, 2012 (2011 – nil) as all insurers are rated A+ or above. There exists the possibility of contingent gains based on the fact that MVACF has purchased insurance on some of the measured lives. Such amounts are described in Note 6 – Contingent Gains.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that MVACF's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates. The most significant estimates relate to the provision for unpaid claims and adjustment expenses, unpaid claims recoverable and employee future benefits.

g) i. Employee Future Benefits Obligation

Prior to 2007, MVACF did not record the liabilities pertaining to the legislative severance and compensated absences components of its employee future benefits costs because these liabilities had been determined and recognized by the Province of Ontario (Province) in its consolidated financial statements. While the Province continues to accrue for these costs each year and fund them annually when due, the Auditor General has requested and management has agreed that MVACF also recognize the liability for these costs in these financial statements.

ii. Employee Benefits

MVACF's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by MVACF's employees is recognized in the Province's consolidated financial statements.

These benefits are accounted for by MVACF as follows:

Employee Future Benefits Obligation

The costs of any legislated severance and unused vacation entitlements earned by employees are recognized when earned by eligible employees. Legislated severance is non-actuarially estimated based on one week's pay for every year of service for those employees with a minimum of five years of service. In the current year, $601,267 (2011 – $577,203) was recorded with respect to these benefits. An expense of $24,064 (2011 – $35,704) was recorded in the current year as part of employee benefits in the statements of operations and MVACF deficit.

Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-employment benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

Ontario

4. TANGIBLE CAPITAL ASSETS

Leasehold improvements, computer equipment, furniture and fixtures, and office equipment are carried at cost less accumulated amortization. MVACF provides for amortization on a straight line basis over the term of the lease (for leasehold improvements) or over the useful life of the asset. Accordingly, leasehold improvements and furniture and fixtures are amortized over 5 years, while computer equipment and office equipment are amortized over 3 years.

	2012 ($)			2011 ($)		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer Equipment	25,663	9,831	15,832	$ 48,839	$ 24,453	$ 24,386
Office Equipment	7,406	6,644	762	6,644	6,644	-
Furniture and Fixtures	16,416	16,416	-	16,416	13,133	3,283
Leasehold Improvements	500,000	500,000	-	500,000	500,000	-
	549,485	532,891	16,594	571,899	544,230	27,669

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

a) MVACF's unpaid claims and adjustment expenses consist of the following:

	2012 ($)		2011 ($)	
(in thousands of dollars)	Gross	Recoverable	Gross	Recoverable
ACCIDENT BENEFITS				
Statutory accident benefits	91,290	-	104,252	-
THIRD PARTY LIABLITY (TPL)				
Property damage	1,115	23	890	20
Bodily injury	46,304	1,476	52,697	1,831
Total TPL	47,419	1,499	53,587	1,851
Totals	138,709	1,499	157,839	1,851

b) The change in gross provision for claims and adjustment expenses is as follows:

(in thousands of dollars)	2012 ($)	2011 ($)
Balance, beginning of year	157,839	170,309
Decrease in provision for losses that occurred in prior years	(17,376)	(19,533)
Amounts paid during the year on claims of prior years		
Statutory Payments	(25,489)	(20,165)
Claims Expenses	(6,613)	(7,093)
Amount paid during the year on claims of the current year		
Statutory Payments	(505)	(576)
Claims Expenses	(131)	(203)
Provision for losses on claims that occurred in the current year	30,984	35,100
Balance, end of year	138,709	157,839

Ontario

6. CONTINGENT GAINS

Some payments out of MVACF are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 30 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance, should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, MVACF nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2012 for information purposes.

As at March 31, 2012 the amount paid out of MVACF for accident benefit claims in the form of structured settlements was approximately $31.6 million (2011 – $25.7 million) with applicable reversionary interest of approximately $23.7 million (2011- $18.7 million).

7. ROLE OF THE ACTUARY AND AUDITOR

FSCO retains an independent actuary who acts as MVACF's actuary. The actuary's responsibility is to carry out an annual valuation of MVACF's liabilities, which include provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses taking into consideration the circumstances of MVACF. The actuary in his verification of the underlying data used in the valuation also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The external auditors act under the direction of the Auditor General of Ontario pursuant to agreed terms of engagement. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the Audit and Risk Committee of FSCO. In carrying out their audit, the auditors also consider the work of the actuary and his report on the provision for claims and claim expenses. The auditors' report outlines the scope of their audit and their opinion.

Ontario

SUPERINTENDENT'S REPORT ON INSURANCE

2011

Table of Contents

Ontario

Superintendent's Report 2011

The following information was obtained from the annual filings and, in the case of federally registered insurers, from the Office of the Superintendent of Financial Institutions. While every effort has been made to ensure the accuracy of this report, decisions should not be made solely on the information contained in it. Other sources should also be consulted. Any material changes to this information will be reported to the Minister of Finance and published in *The Ontario Gazette*.

The information is organized by type of insurer, and insurers are listed alphabetically within each group.

Summary Financial Information 73
Property and Casualty Insurance Companies 76
Life Insurance Companies 84
Reinsurance Companies 87
Reciprocal or Interinsurance Exchanges 89
Fraternal Societies 90
Financial Summary Notes 91

Letter to Minister of Finance

Ontario

The Honourable Charles Sousa
Minister of Finance
7 Queen's Park Crescent
Toronto ON M7A 1Y7

Dear Minister:

I am pleased to present the 133rd annual report under Section 36 of the Insurance Act for the year ended December 31, 2011. Prior to the creation of the Financial Services Commission of Ontario, this report was issued by the Superintendent of Insurance.

In addition to the information contained in this report, a listing of all licensed insurers is published each July in *The Ontario Gazette*. This list contains the names of the insurers, their addresses, telephone numbers, chief agents, and the classes for which they are licensed. During the year, information concerning newly licensed insurers and changes to existing licences is also published in Bulletins issued by the Financial Services Commission of Ontario. Any broker or member of the public can verify whether a particular insurer is licensed by calling our offices at (416) 250-7250. This information is also available on the Commission's Internet site – www.fsco.gov.on.ca.

News releases containing other information of public interest are made throughout the year. These announcements effectively reach a large number of Ontario residents. Information is also supplied to industry trade associations for inclusion in their publications to reach more specialized audiences. The Financial Services Commission of Ontario issues Bulletins as required to provide information to insurers and other individuals interested in the insurance industry.

Yours sincerely,

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

Summary Financial Information

Ontario

SUMMARY OF COMPANIES LICENSED BY TYPE OF BUSINESS ACTIVITY as of December 31, 2011, and December 31, 2010

					Analysis of 2011 total		
Business Type	**Total 2010**	**Additions**	**Withdrawals**	**Total 2011**	**Ontario**	**Extra Provincial**	**Federal**
Property & Casualty Companies	209	4	8	205	54	14	137
Life Insurance Companies	84	2	10	76	2	14	60
Reinsurance Companies	37	2	1	38	2	1	35
Reciprocal Exchanges	10	0	0	10	8	1	1
Fraternal Societies	18	0	1	17	2	0	15
Totals	**358**	**8**	**20**	**346**	**68**	**30**	**248**

Notes:

1. *Companies writing both property & casualty and life business are listed as Life Insurance Companies in the above summary. Their financial performance is shown separately by business type in the following report.*

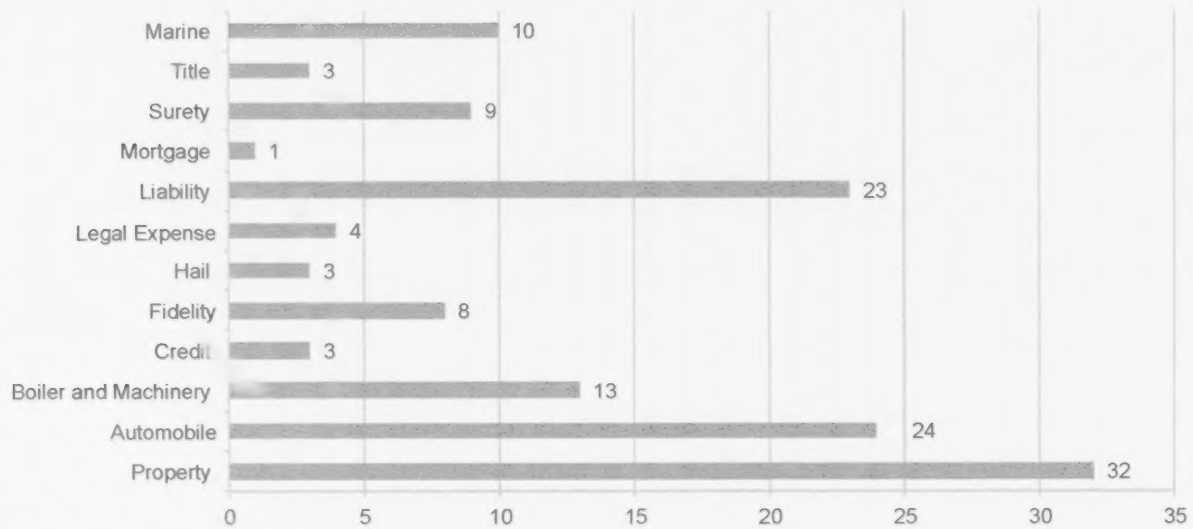
2. *Branch operations are included in the Federal totals.*

3. *The Superintendent's Report on Insurance 2011 records figures as of the end of the calendar year (December 31, 2011), based on the companies' annual filings. The Financial Services Commission of Ontario Annual Report 2011-2012 records figures as of the end of the fiscal year (March 31, 2012).*

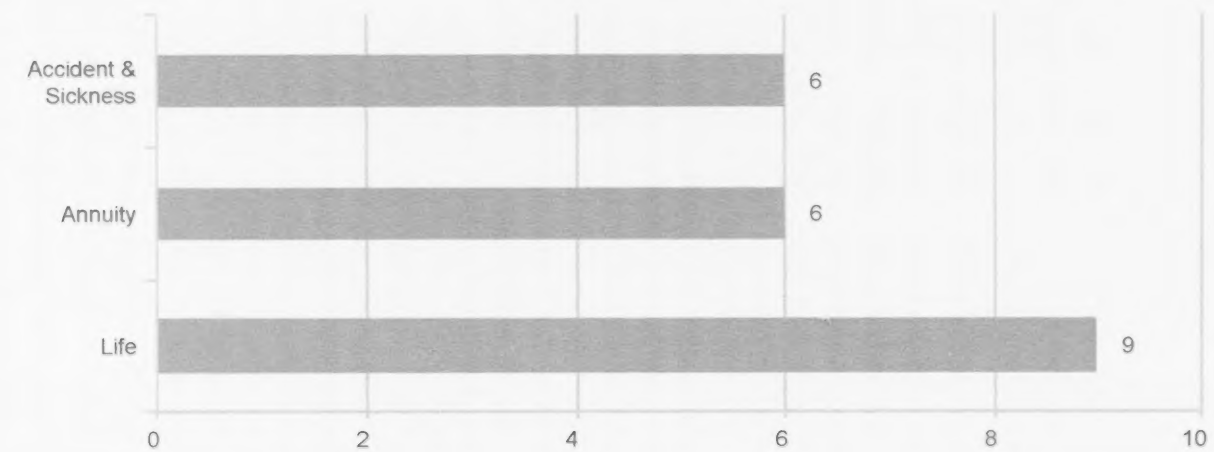
Insurer Statistics

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective 2011, these figures are based on individual companies rather than groups of affiliated companies.

2011 Property and Casualty Insurers
Number of Companies Representing 80% of Ontario Market Share



2011 Life Insurers
Number of Companies Representing 80% of the Ontario Market Share



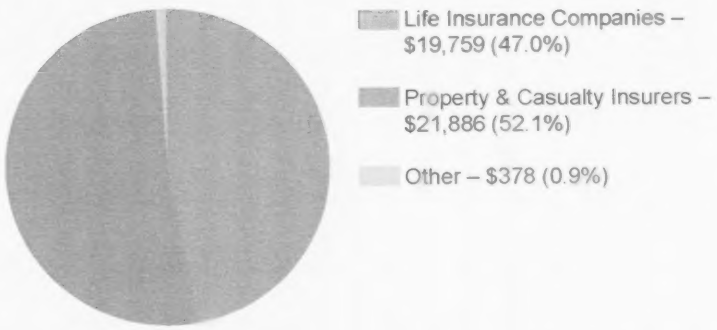
Premium Statistics

Ontario

Insurance is a $42 billion business in Ontario. In 2011, of the the total premium dollar volume, 52.1 per cent went to the property and casualty (including automobile) insurance industry and 47.0 per cent went to the life insurance industry.

2011
Direct Premium Volume in Ontario

Total $42,023 (millions)



P&C insurers received $21.8 billion in premiums in 2011. The split among automobile, property and liability insurance remained constant compared to 2010.

2011
Property & Casualty Companies – Direct Written Premiums in Ontario – By Line

Total Premiums Written $21,886 (millions)

The broad pattern among life insurance companies likewise remained constant. Of the $19.7 billion paid on premiums to life insurers, 18.2 per cent went to buy annuities, 39.5 per cent to purchase individual and group life coverage and 42.3 per cent to obtain accident and sickness insurance.

2011
Life Companies – Direct Written Premiums in Ontario

Total Premiums Written $19,759 (millions)

Accident & Sickness – Group $7,283 (36.8%)
Life – Individual $5,606 (28.4%)
Life – Group $2,188 (11.1%)
Annuities – Individual $1,437 (7.3%)
Annuities - Group $2,161 (10.9%)
Accident & Sickness - Individual $1,084 (5.5%)

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2011	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	%	$
ONTARIO							
ALGOMA MUTUAL INSURANCE COMPANY	12,143	6,431	23,580	17,401	6,179	53%	311
AMHERST ISLAND MUTUAL INSURANCE COMPANY	754	169	2,444	641	1,803	35%	154
AYR FARMERS MUTUAL INSURANCE COMPANY	21,634	8,222	60,612	28,904	31,708	49%	3,813
BAY OF QUINTE MUTUAL INSURANCE CO.	20,377	14,302	43,898	19,410	24,488	64%	787
BERTIE AND CLINTON MUTUAL INSURANCE COMPANY	11,858	8,731	57,628	26,021	31,607	60%	2,067
BRANT MUTUAL INSURANCE COMPANY	7,096	7,101	19,986	13,673	6,313	89%	-1,298
CAA INSURANCE COMPANY (ONTARIO)	151,953	93,111	429,756	340,806	88,950	66%	9,088
CARADOC DELAWARE MUTUAL FIRE INSURANCE COMPANY	1,762	284	7,682	1,388	6,294	57%	112
CAYUGA MUTUAL INSURANCE COMPANY	7,494	5,180	23,298	11,659	11,639	66%	-37
COACHMAN INSURANCE COMPANY	69,519	52,672	195,715	151,551	44,164	72%	3,026
1 CORONATION INSURANCE COMPANY, LIMITED	0	0	4,082	383	3,699	n/a	180
DUFFERIN MUTUAL INSURANCE COMPANY	8,863	3,467	29,974	24,976	4,998	49%	5
DUMFRIES MUTUAL INSURANCE COMPANY	13,166	8,653	50,382	25,483	24,899	74%	412
ERIE MUTUAL FIRE INSURANCE COMPANY	5,579	2,948	22,287	7,041	15,246	58%	333
FARMERS' MUTUAL INSURANCE COMPANY (LINDSAY)	86,995	41,105	247,078	165,486	81,592	43%	16,340
FENCHURCH GENERAL INSURANCE COMPANY	7,251	4,335	18,402	11,853	6,549	46%	272
GCAN INSURANCE COMPANY	105,697	70,088	935,640	662,292	273,348	63%	16,433
GERMANIA MUTUAL INSURANCE COMPANY	16,267	8,245	34,541	19,659	14,882	53%	945
GLENGARRY MUTUAL INSURANCE COMPANY	10,898	7,099	25,912	14,270	11,642	42%	1,349
GRENVILLE MUTUAL INSURANCE COMPANY	22,863	22,017	64,561	33,662	30,899	75%	-624
GREY & BRUCE MUTUAL INSURANCE COMPANY	3,095	1,654	4,921	2,434	2,487	66%	-112
HALWELL MUTUAL INSURANCE COMPANY	16,369	13,016	50,005	28,493	21,512	56%	39
HAMILTON TOWNSHIP MUTUAL INSURANCE COMPANY	20,268	15,164	56,245	35,938	20,307	61%	375
HAY MUTUAL INSURANCE COMPANY	8,782	8,350	40,408	12,081	28,327	65%	975
HOWARD MUTUAL INSURANCE COMPANY	10,026	5,131	42,016	15,815	26,201	62%	-864
HOWICK MUTUAL INSURANCE COMPANY	13,150	15,040	32,619	24,164	8,455	77%	-1,148
KENT & ESSEX MUTUAL INSURANCE COMPANY	21,855	15,662	72,431	39,002	33,429	72%	1,092
L&A MUTUAL INSURANCE COMPANY	8,904	3,953	14,793	8,772	6,021	63%	238
LAMBTON MUTUAL INSURANCE COMPANY	18,194	12,242	55,659	28,658	27,001	74%	813

Property & Casualty Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2011	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	%	$
	LANARK MUTUAL INSURANCE COMPANY	21,523	9,685	64,627	23,443	41,184	45%	2,848
	LAWYERS' PROFESSIONAL INDEMNITY COMPANY	115,415	104,801	580,558	412,682	167,876	92%	8,706
2	MARKHAM GENERAL INSURANCE COMPANY (IN LIQUIDATION)	0	0	0	0	0	n/a	0
	MAX CANADA INSURANCE COMPANY	4,782	2,292	17,270	9,954	7,316	53%	283
	MCKILLOP MUTUAL INSURANCE COMPANY	8,968	7,905	27,207	15,543	11,664	64%	430
	MIDDLESEX MUTUAL INSURANCE CO.	10,767	9,829	39,962	23,747	16,215	81%	-268
	NORFOLK MUTUAL INSURANCE COMPANY	6,741	3,991	20,222	10,840	9,382	65%	36
	NORTH BLENHEIM MUTUAL INSURANCE COMPANY	8,773	4,777	24,637	9,561	15,076	48%	983
	NORTH KENT MUTUAL FIRE INSURANCE COMPANY	7,544	8,064	34,163	14,368	19,795	72%	207
	OXFORD MUTUAL INSURANCE COMPANY	10,727	6,426	28,840	16,225	12,615	46%	1,472
	PEEL MARYBOROUGH MUTUAL INSURANCE COMPANY	18,241	8,983	51,360	34,092	17,268	57%	543
	PEEL MUTUAL INSURANCE COMPANY	41,193	35,394	106,438	78,462	27,976	74%	-609
	PRO-DEMNITY INSURANCE COMPANY	19,347	8,862	86,527	60,449	26,078	77%	-370
	SOUTH EASTHOPE MUTUAL INSURANCE COMPANY	13,691	9,154	44,978	20,000	24,978	55%	2,380
	THE WEST WAWANOSH MUTUAL INSURANCE COMPANY	15,829	25,897	50,561	31,528	19,033	76%	-577
	THE WESTMINSTER MUTUAL INSURANCE COMPANY	8,984	4,239	19,371	13,540	5,831	57%	651
	THE YARMOUTH MUTUAL FIRE INSURANCE COMPANY	7,886	4,150	21,164	10,739	10,425	57%	467
	TOWN & COUNTRY MUTUAL INSURANCE COMPANY	11,139	7,756	33,425	18,053	15,372	65%	677
	TOWNSEND FARMERS' MUTUAL FIRE INSURANCE COMPANY	6,133	665	21,100	12,910	8,190	59%	276
	TRADITION MUTUAL INSURANCE COMPANY	12,696	7,770	37,623	23,508	14,115	81%	-560
	TRILLIUM MUTUAL INSURANCE COMPANY	37,369	17,303	94,175	57,150	37,025	53%	3,277
3	TTC INSURANCE COMPANY LIMITED	0	0	147,779	147,679	100	n/a	0
	USBORNE AND HIBBERT MUTUAL FIRE INSURANCE COMPANY	5,690	5,050	36,311	7,028	29,283	67%	733
	WABISA MUTUAL INSURANCE COMPANY	7,561	6,129	23,523	16,434	7,089	70%	515
	WEST ELGIN MUTUAL INSURANCE COMPANY	10,143	4,144	40,506	21,126	19,380	49%	1,237
		1,113,954	**757,638**	**4,318,882**	**2,860,977**	**1,457,905**		**78,353**

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2011	ONTARIO BUSINESS Direct Written Premiums	Direct Claims Incurred	TOTAL COMPANY Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	%	$
	EXTRA PROVINCIAL							
	ALBERTA MOTOR ASSOCIATION INSURANCE COMPANY	106	0	525,071	384,809	140,262	78%	7,673
	BELAIR INSURANCE COMPANY INC.	49,348	23,925	945,582	743,075	202,507	66%	30,655
	CANADIAN FARM INSURANCE CORP.	-66	77	10,227	5,080	5,147	54%	922
	CANASSURANCE INSURANCE COMPANY	1,287	549	40,210	35,979	4,231	56%	1,555
	GMS INSURANCE INC.	5,709	4,143	21,231	13,642	7,589	66%	319
4	INDUSTRIAL ALLIANCE PACIFIC GENERAL INSURANCE CORPORATION	3,572	1,640	127,269	72,017	55,252	26%	21,455
	LA MUTUELLE D'ÉGLISE DE L'INTER-OUEST	9	0	5,664	384	5,280	23%	74
	L'UNIQUE GENERAL INSURANCE INC.	956	0	270,405	213,984	56,421	58%	8,354
	MILLENNIUM INSURANCE CORPORATION	9,665	1,913	292,720	179,576	113,144	48%	21,573
	OPTIMUM INSURANCE COMPANY INC.	45,404	29,475	187,107	142,129	44,978	54%	5,192
	SGI CANADA INSURANCE SERVICES LTD.	69,668	52,667	354,509	261,822	92,687	72%	1,235
	THE CANADIAN UNION INSURANCE COMPANY	2	-614	490,432	369,523	120,909	72%	-2,702
	TRANS GLOBAL INSURANCE COMPANY	6,497	382	9,361	3,728	5,633	5%	997
5	UNICA INSURANCE INC.	100,222	85,726	359,483	273,530	85,953	69%	5,030
		292,379	**199,883**	**3,639,271**	**2,699,278**	**939,993**		**102,332**
	FEDERAL							
	ACE INA INSURANCE	117,678	81,005	1,394,935	1,070,244	324,691	73%	24,000
	ALLSTATE INSURANCE COMPANY OF CANADA	686,951	453,394	2,446,126	1,823,460	622,666	69%	77,110
6	ALTA SURETY COMPANY	0	0	0	0	0	n/a	0
	ASCENTUS INSURANCE LTD.	212	-2,214	17,988	10,856	7,132	-48%	1,581
	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	5,451	6,871	130,030	72,806	57,224	17%	16,063
	AVIVA INSURANCE COMPANY OF CANADA	1,251,903	735,487	5,051,899	4,131,556	920,343	67%	92,255
	AXA INSURANCE (CANADA) AXA ASSURANCES (CANADA)	509,052	306,560	2,106,341	1,373,150	733,191	65%	441,883
	AXA PACIFIC INSURANCE COMPANY	60,452	50,263	1,670,170	1,037,265	632,905	58%	395,984
	CANADA GUARANTY MORTGAGE INSURANCE COMPANY	26,566	4,020	337,488	146,624	190,864	38%	16,586
	CANADIAN NORTHERN SHIELD INSURANCE COMPANY	1,212	2,061	319,618	258,776	60,842	59%	3,082
	CERTAS DIRECT INSURANCE COMPANY	265,437	229,597	753,858	585,856	168,002	92%	-7,232
	CERTAS HOME AND AUTO INSURANCE COMPANY	1,031	2,417	9,754	4,504	5,250	181%	-1,341

Property & Casualty Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2011	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	%	$
	CHARTIS INSURANCE COMPANY OF CANADA	349,977	206,934	4,728,219	3,431,769	1,296,450	56%	205,533
	CHUBB INSURANCE COMPANY OF CANADA	352,687	208,916	2,373,170	1,589,057	784,113	58%	88,454
7	CONSTITUTION INSURANCE COMPANY OF CANADA	0	0	2,644	42	2,602	n/a	-75
	CO-OPERATORS GENERAL INSURANCE COMPANY	965,815	513,177	5,423,499	3,899,261	1,524,238	65%	150,258
	COSECO INSURANCE COMPANY	141,216	71,393	614,491	429,988	184,503	53%	48,728
	CUMIS GENERAL INSURANCE COMPANY	61,436	39,179	231,626	171,234	60,392	66%	3,661
	DAS LEGAL PROTECTION INSURANCE COMPANY LIMITED	250	167	11,977	1,022	10,955	122%	-4,290
	ECHELON GENERAL INSURANCE COMPANY	112,219	86,095	440,715	326,311	114,404	66%	10,075
	ECONOMICAL MUTUAL INSURANCE COMPANY	978,631	627,133	4,687,520	3,387,436	1,300,084	66%	90,999
	ELITE INSURANCE COMPANY	97,381	114,145	796,177	656,113	140,064	66%	29,229
	EVEREST INSURANCE COMPANY OF CANADA	10,882	2,913	85,414	24,482	60,932	76%	-1,250
	FCT INSURANCE COMPANY LTD.	70,235	21,806	256,192	164,247	91,945	38%	17,181
	FEDERATED INSURANCE COMPANY OF CANADA	56,335	22,935	421,564	308,259	113,305	47%	-1,505
	FEDERATION INSURANCE COMPANY OF CANADA	10,358	1,485	490,093	381,234	108,859	66%	8,081
	FIRST NORTH AMERICAN INSURANCE COMPANY	1,901	220	7,940	2,230	5,710	11%	592
	GENWORTH FINANCIAL MORTGAGE INSURANCE COMPANY CANADA	207,921	44,586	5,321,566	2,381,198	2,940,368	37%	339,357
	GORE MUTUAL INSURANCE COMPANY	265,350	179,660	664,568	485,872	178,696	67%	13,996
	GRAIN INSURANCE AND GUARANTEE COMPANY	12,426	8,338	97,677	69,708	27,969	50%	4,313
8	GRANITE INSURANCE COMPANY	0	0	0	0	0	n/a	0
	INTACT INSURANCE COMPANY	1,547,704	952,531	9,291,506	6,624,349	2,667,157	66%	259,509
	INTERNATIONAL INSURANCE COMPANY OF HANNOVER LIMITED	233	383	18,905	3,829	15,076	69%	21
	JEVCO INSURANCE COMPANY	220,013	160,460	1,280,163	865,202	414,961	67%	40,224
	LEGACY GENERAL INSURANCE COMPANY	8,904	2,364	21,437	-5,762	27,199	49%	1,719
9	NORTHBRIDGE COMMERCIAL INSURANCE CORPORATION	111,999	105,468	664,758	493,427	171,331	77%	-19,137
10	NORTHBRIDGE GENERAL INSURANCE CORPORATION	422,865	429,929	3,070,175	2,404,798	665,377	76%	-91,580
11	NORTHBRIDGE INDEMNITY INSURANCE COMPANY	30,006	1,539	725,763	516,847	208,916	67%	5,354
12	NORTHBRIDGE PERSONAL INSURANCE CORPORATION	198,795	203,044	686,080	531,623	154,457	95%	-33,417

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2011	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	%	$
NOVEX INSURANCE COMPANY	126,152	97,559	918,690	684,226	234,464	66%	36,278
OLD REPUBLIC INSURANCE COMPANY OF CANADA	47,431	28,514	199,611	145,777	53,834	66%	5,473
OMEGA GENERAL INSURANCE COMPANY	9,301	9,250	42,738	31,094	11,644	68%	-329
PAFCO INSURANCE COMPANY	75,529	43,078	272,840	181,803	91,037	58%	16,797
PEMBRIDGE INSURANCE COMPANY	113,575	75,445	512,468	291,157	221,311	70%	2,982
PERTH INSURANCE COMPANY	65,366	20,394	460,271	396,506	63,765	66%	4,489
PILOT INSURANCE COMPANY	84,897	53,408	1,004,956	851,532	153,424	64%	40,130
PMI MORTGAGE INSURANCE COMPANY CANADA	0	4	11,421	2,448	8,973	136%	-352
PRIMMUM INSURANCE COMPANY	255,491	195,663	1,514,243	1,258,113	256,130	76%	29,125
QUEBEC ASSURANCE COMPANY	0	0	100,344	73,019	27,325	61%	3,143
RBC GENERAL INSURANCE COMPANY	410,934	306,592	1,238,082	969,224	268,858	76%	22,234
RBC INSURANCE COMPANY OF CANADA	225,438	144,365	435,489	304,968	130,521	57%	1,828
ROYAL & SUN ALLIANCE INSURANCE COMPANY OF CANADA	478,712	307,354	3,386,312	2,623,810	762,502	61%	90,661
S & Y INSURANCE COMPANY	64	-2,033	200,711	167,185	33,526	53%	11,678
SAFETY NATIONAL CASUALTY CORPORATION	0	51	49,002	31,698	17,304	n/a	-2,643
SCOTIA GENERAL INSURANCE COMPANY	0	0	7,203	46	7,157	n/a	-22
SCOTTISH & YORK INSURANCE CO. LIMITED	98,268	54,992	756,117	637,830	118,287	72%	24,977
SECURITY NATIONAL INSURANCE COMPANY	832,969	598,530	4,155,781	3,001,210	1,154,571	76%	107,216
TD DIRECT INSURANCE INC.	0	0	15,223	62	15,161	n/a	372
TD GENERAL INSURANCE COMPANY	205,584	191,876	984,800	833,550	151,250	80%	12,416
TD HOME AND AUTO INSURANCE COMPANY	257,433	178,996	1,150,678	924,540	226,138	75%	25,770
TEMPLE INSURANCE COMPANY	67,378	71,380	843,765	691,196	152,569	66%	11,460
THE BOILER INSPECTION AND INSURANCE COMPANY OF CANADA	10,789	4,163	186,941	109,862	77,079	26%	19,575
THE DOMINION OF CANADA GENERAL INSURANCE COMPANY	940,956	685,805	3,256,023	2,446,453	809,570	76%	25,242
THE GUARANTEE COMPANY OF NORTH AMERICA	228,733	173,750	1,158,575	749,908	408,667	64%	33,814
THE MISSISQUOI INSURANCE COMPANY	123	181	490,447	381,537	108,910	66%	8,160
THE NORDIC INSURANCE COMPANY OF CANADA	286,410	214,235	1,352,820	1,049,033	303,787	66%	62,489
THE NORTH WATERLOO FARMERS MUTUAL INSURANCE COMPANY	78,229	47,661	147,327	103,622	43,705	60%	6,212
THE PERSONAL INSURANCE COMPANY	403,585	306,921	1,474,946	1,167,399	307,547	81%	39,393
THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY	42,936	30,313	382,368	261,142	121,226	72%	-3,075

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2011	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	%	$
THE SHIPOWNERS' MUTUAL PROTECTION AND INDEMNITY ASSOCIATION (LUXEMBOURG)	102	23	30,594	18,215	12,379	80%	235
THE SOVEREIGN GENERAL INSURANCE COMPANY	68,559	30,972	685,203	483,905	201,298	51%	25,960
THE WAWANESA MUTUAL INSURANCE COMPANY	639,846	515,671	6,387,589	4,077,375	2,310,214	79%	114,978
TRADERS GENERAL INSURANCE COMPANY	305,923	202,317	1,275,289	1,075,348	199,941	70%	36,620
TRAFALGAR INSURANCE COMPANY OF CANADA	141,118	115,268	797,862	600,959	196,903	66%	33,784
TRAVELERS INSURANCE COMPANY OF CANADA	76,485	43,593	845,288	517,750	327,538	21%	50,445
TRISURA GUARANTEE INSURANCE COMPANY	23,346	3,533	105,898	60,585	45,313	26%	5,357
UNIFUND ASSURANCE COMPANY	522,301	407,272	1,628,074	1,346,109	281,965	77%	1,965
WATERLOO INSURANCE COMPANY	94,832	62,718	378,675	313,388	65,287	66%	4,554
WESTERN ASSURANCE COMPANY	149,756	84,184	716,934	603,100	113,834	61%	15,037
WESTERN FINANCIAL INSURANCE COMPANY	18,480	9,109	48,418	31,244	17,174	51%	3,236
WESTERN SURETY COMPANY	4,270	445	45,603	27,022	18,581	n/a	2,741
ZENITH INSURANCE COMPANY	59,830	55,417	222,883	140,026	82,857	93%	-615
	16,612,615	**11,243,230**	**96,530,548**	**69,323,849**	**27,206,699**		**3,155,791**
BRANCH							
AFFILIATED FM INSURANCE COMPANY	34,997	12,164	239,640	133,046	106,594	49%	26,747
ALLIANZ GLOBAL RISKS US INSURANCE COMPANY	84,926	50,751	754,806	567,736	187,070	85%	-1,574
ALLSTATE INSURANCE COMPANY	0	0	7,501	3,837	3,664	n/a	-2,289
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA	182,938	12,512	443,463	299,268	144,195	18%	17,372
ARCH INSURANCE COMPANY	73,613	45,150	337,048	250,553	86,495	75%	3,340
ATRADIUS CREDIT INSURANCE N.V.	5,279	1,768	19,007	12,081	6,926	40%	444
BERKLEY INSURANCE COMPANY	20,460	10,513	107,650	66,502	41,148	63%	-3,019
CHEROKEE INSURANCE COMPANY	3,142	1,724	13,519	3,520	9,999	79%	41
CHICAGO TITLE INSURANCE COMPANY	14,003	7,781	48,275	19,784	28,491	45%	1,787
COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR	12,269	4,897	75,021	37,597	37,424	35%	5,864
CONTINENTAL CASUALTY COMPANY	96,244	44,425	1,099,160	714,689	384,471	62%	29,202
COREPOINTE INSURANCE COMPANY	2	555	22,157	7,805	14,352	-477%	1,342
DARWIN NATIONAL ASSURANCE COMPANY	0	0	21,535	172	21,363	58%	-77

Property & Casualty Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2011	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	%	$
	ECCLESIASTICAL INSURANCE OFFICE PUBLIC LIMITED COMPANY	19,773	10,007	144,210	82,164	62,046	55%	2,387
	ELECTRIC INSURANCE COMPANY	1,558	2,676	29,370	15,389	13,981	116%	-74
	EMPLOYERS INSURANCE COMPANY OF WAUSAU	0	1,979	34,296	3,775	30,521	n/a	823
	EULER HERMES NORTH AMERICA INSURANCE COMPANY	20,564	10,377	95,484	51,423	44,061	47%	1,007
	FACTORY MUTUAL INSURANCE COMPANY	82,646	20,441	915,347	468,153	447,194	82%	28,353
	FEDERAL INSURANCE COMPANY	1,347	714	185,335	88,189	97,146	45%	1,907
	FIDELITY NATIONAL TITLE INSURANCE COMPANY	0	153	6,102	188	5,914	n/a	56
	FIRST AMERICAN TITLE INSURANCE COMPANY	13,484	2,637	53,792	25,085	28,707	27%	6,860
	GENERAL REINSURANCE CORPORATION	0	0	439,361	290,627	148,734	-6%	34,256
	GREAT AMERICAN INSURANCE COMPANY	22,873	37,124	247,467	126,837	120,630	83%	-2,808
	HARTFORD FIRE INSURANCE COMPANY	6,409	810	174,834	43,287	131,547	44%	7,143
14	ICAROM PUBLIC LIMITED COMPANY	0	-43	2,983	430	2,553	n/a	-26
	JEWELERS MUTUAL INSURANCE COMPANY	3,325	3,451	10,473	5,863	4,610	108%	-1,788
	LIBERTY MUTUAL INSURANCE COMPANY	87,360	39,841	1,440,667	810,673	629,994	71%	24,181
	LLOYD'S UNDERWRITERS	566,727	315,378	5,215,059	3,446,346	1,768,713	63%	339,139
	MITSUI SUMITOMO INSURANCE COMPANY, LIMITED	12,259	10,192	91,019	53,795	37,224	73%	208
	MOTORS INSURANCE CORPORATION	153,848	108,746	784,086	427,848	356,238	64%	43,114
	MUNICH REINSURANCE AMERICA, INC.	0	-133	219,849	118,247	101,602	27%	12,949
	NATIONAL LIABILITY & FIRE INSURANCE COMPANY	4,585	1,387	425,117	210,459	214,658	50%	19,167
	NIPPONKOA INSURANCE COMPANY, LIMITED	793	-28	36,002	3,593	32,409	-10%	1,309
15	PROGRESSIVE CASUALTY INSURANCE COMPANY	0	-247	11,967	4,299	7,668	n/a	188
	PROTECTIVE INSURANCE COMPANY	909	487	11,717	3,075	8,642	44%	278
16	RELIANCE INSURANCE COMPANY	0	0	0	0	0	n/a	0
	SECURITY INSURANCE COMPANY OF HARTFORD	0	-129	71,843	18,809	53,034	n/a	1,813
	SENTRY INSURANCE A MUTUAL COMPANY	642	0	35,902	5,595	30,307	21%	1,025
	SOMPO JAPAN INSURANCE INC.	2,980	829	48,116	9,842	38,274	26%	2,414
	ST. PAUL FIRE AND MARINE INSURANCE COMPANY	76,546	33,599	1,377,645	774,193	603,452	59%	34,089
	STATE FARM FIRE AND CASUALTY COMPANY	442,604	274,222	1,295,298	685,273	610,025	61%	67,100
	STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	1,274,652	1,612,633	6,326,340	5,005,961	1,320,379	122%	-542,755

Property & Casualty Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2011	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	%	$
	STEWART TITLE GUARANTY COMPANY	63,359	13,436	180,667	98,336	82,331	21%	21,089
	T.H.E. INSURANCE COMPANY	95	45	2,781	235	2,546	47%	-66
	THE AMERICAN ROAD INSURANCE COMPANY	1,867	524	21,058	377	20,681	99%	132
17	THE HANOVER INSURANCE COMPANY	0	0	2,580	41	2,539	0%	-476
18	TIG INSURANCE COMPANY	0	736	21,018	2,019	18,999	n/a	2,292
	TOKIO MARINE & NICHIDO FIRE INSURANCE CO. LTD.	12,489	7,847	124,352	63,818	60,534	49%	4,420
	TRITON INSURANCE COMPANY	7,393	4,056	187,244	87,405	99,839	23%	24,752
19	UTICA MUTUAL INSURANCE COMPANY	0	-11	3,989	295	3,694	n/a	-98
	VIRGINIA SURETY COMPANY, INC.	8,313	2,996	34,000	16,455	17,545	84%	-581
	WESTPORT INSURANCE CORPORATION	35,328	36,947	619,405	486,016	133,389	56%	16,712
	XL INSURANCE COMPANY LIMITED	34,846	9,243	674,944	396,708	278,236	56%	16,416
	XL REINSURANCE AMERICA INC.	12,484	9,257	399,294	264,688	134,606	58%	10,828
	ZURICH INSURANCE COMPANY LTD	367,129	319,808	3,119,801	2,446,560	673,241	59%	106,437
		3,867,060	**3,084,227**	**28,309,596**	**18,758,961**	**9,550,635**		**363,352**
	TOTAL	**21,886,008**	**15,284,978**	**132,798,297**	**93,643,065**	**39,155,232**		**3,699,828**

Life Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY			
	Financial Summary Year Ended December 31, 2011	Direct Written Premiums	Benefits & payments to policy-holders	Total Assets	Total Liabilities	Excess of assets over liabilities	Net Income/ (loss)
	(In Thousands)	$	$	$	$	$	$
	ONTARIO						
20	UNION OF CANADA LIFE INSURANCE	0	0	0	0	0	0
	CT FINANCIAL ASSURANCE COMPANY	2,927	740	37,504	24,964	12,540	710
		2,927	**740**	**37,504**	**24,964**	**12,540**	**710**
	EXTRA PROVINCIAL						
	ACADIA LIFE	31	8	85,020	58,349	26,671	1,026
	ASSUMPTION MUTUAL LIFE INSURANCE COMPANY	16,860	5,310	1,218,620	1,122,625	95,995	4,682
	AXA LIFE	23,335	11,042	1,482,692	1,328,713	153,979	33,374
	DESJARDINS FINANCIAL SECURITY LIFE ASSURANCE COMPANY	587,322	458,105	23,544,724	22,246,219	1,298,505	209,994
	FIRST CANADIAN INSURANCE CORPORATION	18,707	2,202	334,434	222,503	111,931	18,462
	INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.	828,205	529,001	33,093,475	30,342,868	2,750,607	127,234
	LA CAPITALE INSURANCE AND FINANCIAL SERVICES INC.	32,664	18,923	645,805	545,803	100,002	6,126
	LA SURVIVANCE, COMPAGNIE MUTUELLE D'ASSURANCE VIE	1,230	996	344,222	298,322	45,900	3,674
	LS TRAVEL INSURANCE COMPANY	1,977	148	13,463	8,118	5,345	340
	NATIONAL BANK LIFE INSURANCE COMPANY	11,567	2,811	193,206	99,044	94,162	16,634
	PROMUTUEL LIFE INC.	0	0	10,204	5,972	4,232	-1,579
	SSQ, LIFE INSURANCE COMPANY INC.	167,597	107,181	6,846,975	6,512,908	334,067	33,834
	THE UNION LIFE MUTUAL ASSURANCE COMPANY (UNION LIFE)	6,398	184	1,360,528	1,196,573	163,955	15,821
	TRANS GLOBAL LIFE INSURANCE COMPANY	6,091	343	8,422	1,825	6,597	1,217
		1,701,984	**1,136,254**	**69,181,790**	**63,989,842**	**5,191,948**	**470,839**
	FEDERAL						
	ACE INA LIFE INSURANCE	61,506	20,366	163,807	76,610	87,197	12,486
	ALLSTATE LIFE INSURANCE COMPANY OF CANADA	0	0	346,145	342,428	3,717	23
	ASSURANT LIFE OF CANADA	89,760	35,087	1,180,881	1,093,962	86,919	9,291
	BMO LIFE ASSURANCE COMPANY	589,703	198,944	5,390,191	4,859,636	530,555	14,209
	BMO LIFE INSURANCE COMPANY	16,060	1,385	499,486	37,048	462,438	43,442
	CANADIAN PREMIER LIFE INSURANCE COMPANY	75,470	19,835	225,943	116,898	109,045	16,554
	CIBC LIFE INSURANCE COMPANY LIMITED	18,791	4,464	39,838	-88,634	128,472	16,472
	CIGNA LIFE INSURANCE COMPANY OF CANADA	0	2,152	50,029	28,373	21,656	4,573

Life Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY			
	Financial Summary Year Ended December 31, 2011	Direct Written Premiums	Benefits & payments to policy-holders	Total Assets	Total Liabilities	Excess of assets over liabilities	Net Income/ (loss)
	(In Thousands)	$	$	$	$	$	$
	COMPCORP LIFE INSURANCE COMPANY	0	0	10,000	457	9,543	-51
21	CONFEDERATION LIFE INSURANCE COMPANY	0	0	0	0	0	0
	CO-OPERATORS LIFE INSURANCE COMPANY	282,098	177,170	4,793,861	4,001,615	792,246	-18,126
	CROWN LIFE INSURANCE COMPANY	0	0	1,865,202	1,791,743	73,459	3,987
	CUMIS LIFE INSURANCE COMPANY	59,155	29,831	1,035,044	784,565	250,479	417
22	FORESTERS LIFE INSURANCE COMPANY	93,865	60,268	1,413,902	1,304,867	109,035	11,050
	INDUSTRIAL ALLIANCE PACIFIC INSURANCE AND FINANCIAL SERVICES INC.	91,465	37,915	5,823,005	5,315,568	507,437	31,829
	LONDON LIFE INSURANCE COMPANY	1,323,827	1,210,766	64,373,659	61,225,765	3,147,894	528,116
	MANULIFE CANADA LTD.	31,899	20,610	1,752,584	1,459,478	293,106	-6,513
	MD LIFE INSURANCE COMPANY	0	0	3,066,121	3,033,519	32,602	3,993
	PENNCORP LIFE INSURANCE COMPANY	25,855	8,352	474,733	367,128	107,605	11,318
	PRIMERICA LIFE INSURANCE COMPANY OF CANADA	127,000	43,295	2,552,328	2,360,660	191,668	43,758
	RBC LIFE INSURANCE COMPANY	544,411	299,219	7,527,043	6,177,945	1,349,098	39,317
	RELIABLE LIFE INSURANCE COMPANY	32,603	16,388	59,890	30,127	29,763	15
	SCOTIA LIFE INSURANCE COMPANY	18,797	606	100,582	-20,145	120,727	23,991
	SUN LIFE ASSURANCE COMPANY OF CANADA	4,178,711	3,172,669	146,114,914	135,368,518	10,746,396	861,338
	SUN LIFE INSURANCE (CANADA) LIMITED	100,047	7,747	12,755,227	11,497,359	1,257,868	126,795
	TD LIFE INSURANCE COMPANY	42,526	13,375	71,772	24,295	47,477	2,579
	THE CANADA LIFE ASSURANCE COMPANY	1,705,254	1,401,742	41,240,110	32,944,791	8,295,319	1,080,140
	THE EMPIRE LIFE INSURANCE COMPANY	413,224	305,646	9,870,764	9,033,657	837,107	30,042
	THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA	269,561	197,655	2,753,032	2,433,003	320,029	8,486
	THE GREAT-WEST LIFE ASSURANCE COMPANY	2,407,621	1,918,827	44,456,133	32,033,896	12,422,237	1,948,699
	THE MANUFACTURERS LIFE INSURANCE COMPANY	4,345,342	3,718,468	126,683,152	97,887,612	28,795,540	256,463
	THE STANDARD LIFE ASSURANCE COMPANY OF CANADA	416,307	507,608	39,637,634	38,013,480	1,624,154	233,736
	THE WAWANESA LIFE INSURANCE COMPANY	28,742	19,582	823,778	708,341	115,437	4,974
	TRANSAMERICA LIFE CANADA	270,001	169,306	9,860,384	8,861,720	998,664	-148,262
	VSP CANADA VISION CARE INSURANCE	0	0	9,337	56	9,281	-48
	WESTERN LIFE ASSURANCE COMPANY	30,729	10,024	179,577	144,087	35,490	6,189
		17,690,330	**13,629,302**	**537,200,088**	**463,250,428**	**73,949,660**	**5,201,282**

Life Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY			
	Financial Summary Year Ended December 31, 2011 (In Thousands)	Direct Written Premiums $	Benefits & payments to policy-holders $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
	BRANCH						
	AETNA LIFE INSURANCE COMPANY	974	873	64,830	14,961	49,869	1,173
	ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA	7	429	75,440	37,925	37,515	1,274
	AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA	115,911	11,476	222,346	110,191	112,155	6,859
	AMERICAN HEALTH AND LIFE INSURANCE COMPANY	2,877	1,432	42,882	14,225	28,657	5,955
	AMERICAN INCOME LIFE INSURANCE COMPANY	25,872	4,457	195,866	89,066	106,800	26,576
	AXA EQUITABLE LIFE INSURANCE COMPANY	27	44	89,837	35,467	54,370	2,047
23	CMFG LIFE INSURANCE COMPANY	137	455	21,230	16,022	5,208	-1,025
	COMBINED INSURANCE COMPANY OF AMERICA	39,676	13,038	712,234	409,310	302,924	29,171
	CONNECTICUT GENERAL LIFE INSURANCE COMPANY	2,779	1,915	127,739	100,551	27,188	-15,017
	GERBER LIFE INSURANCE COMPANY	1,595	140	32,297	19,000	13,297	-3,687
	HARTFORD LIFE INSURANCE COMPANY	0	1	11,652	5,172	6,480	-236
	HOUSEHOLD LIFE INSURANCE COMPANY	13,082	2,018	203,930	47,935	155,995	9,263
	LIBERTY LIFE ASSURANCE COMPANY OF BOSTON	155	128	15,196	2,197	12,999	736
	LIFE INSURANCE COMPANY OF NORTH AMERICA	2,176	2,217	54,743	25,716	29,027	4,115
	MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	460	334	86,302	26,052	60,250	-133
24	METROPOLITAN LIFE INSURANCE COMPANY	0	0	0	0	0	0
	NEW YORK LIFE INSURANCE COMPANY	28,848	30,232	382,426	120,759	261,667	9,596
	PHOENIX LIFE INSURANCE COMPANY	0	0	2,763	307	2,456	-11
	PRINCIPAL LIFE INSURANCE COMPANY	164	203	8,076	6,111	1,965	-689
	REASSURE AMERICA LIFE INSURANCE COMPANY	20	21	7,046	5,297	1,749	-417
	STANDARD LIFE ASSURANCE LIMITED	13,640	22,604	1,662,605	1,656,300	6,305	240
	STATE FARM INTERNATIONAL LIFE INSURANCE COMPANY LTD	114,760	57,656	1,332,734	1,015,577	317,157	5,847
25	THE STANDARD LIFE ASSURANCE COMPANY 2006	0	0	1,312	0	1,312	42
	UNITED AMERICAN INSURANCE COMPANY	217	155	12,873	4,206	8,667	336
		363,377	**149,828**	**5,366,359**	**3,762,347**	**1,604,012**	**82,015**
	TOTAL	**19,758,618**	**14,916,124**	**611,785,741**	**531,027,581**	**80,758,160**	**5,754,846**

Reinsurance Companies

Financial Summary Year Ended December 31, 2011	ONTARIO BUSINESS		TOTAL COMPANY				
	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	%	$
THIS TABLE LISTS ONLY THOSE COMPANIES WHICH ARE LICENSED SOLELY FOR THE BUSINESS OF REINSURANCE							
ONTARIO							
FARM MUTUAL REINSURANCE PLAN INC.	132,927	42,736	756,466	566,905	189,561	89%	26,418
GLOBAL REINSURANCE COMPANY	1	792	73,214	44,122	29,092	n/a	136
	132,928	**43,528**	**829,680**	**611,027**	**218,653**		**26,554**
EXTRA PROVINCIAL							
OPTIMUM REASSURANCE INC.	40,101	8,079	2,237,400	2,173,321	64,079	n/a	6,405
FEDERAL							
ASPEN INSURANCE UK LIMITED	3,143	5,980	338,239	228,061	110,178	79%	5,150
AURIGEN REINSURANCE COMPANY	15,125	12,107	177,974	101,065	76,909	n/a	-2,324
AXA GENERAL INSURANCE	1,414	111	144,033	106,336	37,697	66%	8,322
MUNICH REINSURANCE COMPANY OF CANADA	7,117	41,353	1,177,338	901,332	276,006	72%	39,465
PARTNER REINSURANCE COMPANY OF THE U.S.	27,277	20,940	913,764	631,134	282,630	74%	19,712
PARTNER REINSURANCE EUROPE PUBLIC LIMITED COMPANY (LIFE BRANCH)	0	0	2,000	96	1,904	n/a	-96
RGA LIFE REINSURANCE COMPANY OF CANADA	355,965	44,518	7,025,944	6,402,806	623,138	n/a	101,063
SCOR CANADA REINSURANCE COMPANY	76,138	59,804	594,192	438,598	155,594	91%	-1,552
SUECIA REINSURANCE COMPANY	3	-67	9,978	3,986	5,992	-2233%	45
THE CANADA LIFE INSURANCE COMPANY OF CANADA	561,898	496,636	10,118,293	9,371,736	746,557	n/a	113,004
THE MORTGAGE INSURANCE COMPANY OF CANADA	0	25	26,721	4,544	22,177	1%	719
	1,048,080	**681,407**	**20,528,476**	**18,189,694**	**2,338,782**		**283,508**
BRANCH							
ALEA (BERMUDA) LTD.	6	-528	30,727	15,274	15,453	n/a	830
AMERICAN AGRICULTURAL INSURANCE COMPANY	6,965	4,139	67,807	32,827	34,980	113%	-1,288
AXIS REINSURANCE COMPANY	3,200	6,568	137,853	108,322	29,531	83%	-5,177
CAISSE CENTRALE DE REASSURANCE	17,273	11,587	222,241	163,290	58,951	85%	3,566
CAVELL INSURANCE COMPANY LIMITED	1	49	5,912	624	5,288	-7%	-1,254
COLISEE RE.	86	-5,712	415,887	334,609	81,278	n/a	10,585

Reinsurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2011	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	%	$
	CONVERIUM REINSURANCE (NORTH AMERICA) INC.	0	-4	49,841	1,891	47,950	n/a	1,822
	EMPLOYERS REASSURANCE CORPORATION	73,693	54,676	1,162,942	109,842	1,053,100	n/a	433,157
27	ENDURANCE REINSURANCE CORPORATION OF AMERICA	11	0	9,947	35	9,912	n/a	-1,520
	EVEREST REINSURANCE COMPANY	86,224	33,133	927,893	614,560	313,333	69%	23,743
	GENERAL AMERICAN LIFE INSURANCE COMPANY	93,017	82,486	2,064,743	1,380,588	684,155	n/a	63,782
	GENERAL RE LIFE CORPORATION	733	251	14,955	3,936	11,019	n/a	77
	HANNOVER RUCKVERSICHERUNG AG	86,408	48,946	648,159	460,000	188,159	89%	1,037
	MUNICH REINSURANCE COMPANY	4,483,263	3,171,258	6,197,527	3,490,964	2,706,563	n/a	1,124,270
28	NATIONWIDE MUTUAL INSURANCE COMPANY	0	1	13,168	4,184	8,984	n/a	0
29	NRG VICTORY REINSURANCE LIMITED	0	-283	7,968	3,308	4,660	n/a	321
	ODYSSEY REINSURANCE COMPANY	34,414	20,070	333,480	167,923	165,557	83%	7,832
	PARTNER REINSURANCE COMPANY LTD.	10,422	8,772	358,964	221,500	137,464	n/a	21,927
	RELIASTAR LIFE INSURANCE COMPANY	11	767	39,480	18,754	20,726	n/a	2,645
	SCOR GLOBAL LIFE	26,638	12,272	492,873	325,509	167,364	n/a	-7,705
30	SIRIUS AMERICA INSURANCE COMPANY	2,033	2,565	99,983	44,729	55,254	74%	125
	SWISS REINSURANCE COMPANY LTD	542,653	40,742	8,676,742	6,401,514	2,275,228	47%	51,572
	THE TOA REINSURANCE COMPANY OF AMERICA	26,670	14,896	238,261	178,209	60,052	77%	4,224
	TRANSATLANTIC REINSURANCE COMPANY	51,026	10,841	555,931	268,462	287,469	60%	16,691
		5,544,747	**3,517,492**	**22,773,284**	**14,350,854**	**8,422,430**		**1,751,262**
	TOTAL	**6,765,856**	**4,250,506**	**46,368,840**	**35,324,896**	**11,043,944**		**2,067,729**

Reciprocal or Interinsurance Exchanges

Financial Summary Year Ended December 31, 2011	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	%	$
ONTARIO							
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY	10,566	14,342	114,276	94,150	20,126	144%	-2,195
CANADIAN UNIVERSITIES RECIPROCAL INSURANCE EXCHANGE	10,216	6,864	130,168	81,582	48,586	67%	6,947
COMMUNITY NEWSPAPERS RECIPROCAL INSURANCE EXCHANGE	88	32	635	168	467	27%	-4
HEALTHCARE INSURANCE RECIPROCAL OF CANADA	139,499	107,579	886,409	615,511	270,898	86%	43,914
MUNICIPAL ELECTRIC ASSOCIATION RECIPROCAL INSURANCE EXCHANGE	10,786	3,970	67,863	18,162	49,701	26%	5,538
ONTARIO MUNICIPAL INSURANCE EXCHANGE	16,187	12,964	143,806	122,861	20,945	118%	1,224
ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE	37,600	22,868	209,643	144,071	65,572	67%	17,671
POULTRY INSURANCE EXCHANGE RECIPROCAL OF CANADA	459	685	2,757	1,206	1,551	137%	-124
	225,401	**169,304**	**1,555,557**	**1,077,711**	**477,846**		**72,971**
EXTRA PROVINCIAL							
CANADIAN AIRPORTS RECIPROCAL INSURANCE EXCHANGE (CARIE)	223	0	4,759	1,729	3,030	21%	174
BRANCH							
LUMBERMEN'S UNDERWRITING ALLIANCE	-89	2,332	60,599	30,384	30,215	114%	-12,892
TOTAL	**225,535**	**171,636**	**1,620,915**	**1,109,824**	**511,091**		**60,253**

Fraternal Societies

	Financial Summary Year Ended December 31, 2011 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	ONTARIO BUSINESS Benefits & payments to policy-holders $	TOTAL COMPANY Total Assets $	TOTAL COMPANY Total Liabilities $	TOTAL COMPANY Excess of assets over liabilities $	TOTAL COMPANY Net Income / (loss) $
	ONTARIO						
	GUARANTEED FUNERAL DEPOSITS OF CANADA (FRATERNAL)	31,997	32,823	274,665	269,780	4,885	1,328
	TORONTO POLICE WIDOWS AND ORPHANS FUND	1,711	2,443	91,524	83,270	8,254	1,804
		33,708	**35,266**	**366,189**	**353,050**	**13,139**	**3,132**
	FEDERAL						
	ACTRA FRATERNAL BENEFIT SOCIETY	8,351	5,556	540,518	519,011	21,507	-51
	FAITHLIFE FINANCIAL	13,998	13,351	483,641	443,582	40,059	881
	SONS OF SCOTLAND BENEVOLENT ASSOCIATION	1,259	629	16,190	13,387	2,803	69
	TEACHERS LIFE INSURANCE SOCIETY (FRATERNAL)	9,586	5,662	61,195	49,248	11,947	74
	THE GRAND ORANGE LODGE OF BRITISH AMERICA	1,293	1,002	25,873	21,801	4,072	128
	THE INDEPENDENT ORDER OF FORESTERS	14,845	17,936	4,748,143	3,304,140	1,444,003	34,914
	THE ORDER OF ITALO-CANADIANS	21	59	1,487	1,025	462	53
	UKRAINIAN FRATERNAL SOCIETY OF CANADA	14	42	11,579	9,805	1,774	219
31	UKRAINIAN MUTUAL BENEFIT ASSOCIATION OF ST. NICHOLAS OF CANADA	0	0	0	0	0	0
		49,367	**44,237**	**5,888,626**	**4,361,999**	**1,526,627**	**36,287**
	BRANCH						
	CROATIAN FRATERNAL UNION OF AMERICA	399	287	13,204	11,198	2,006	-609
	KNIGHTS OF COLUMBUS	68,573	38,557	2,653,302	2,304,969	348,333	-170,148
	THE ROYAL ARCANUM, SUPREME COUNCIL OF	331	888	14,112	9,060	5,052	184
	UKRAINIAN NATIONAL ASSOCIATION	39	124	8,997	6,120	2,877	113
	UNITED COMMERCIAL TRAVELERS OF AMERICA, ORDER OF	76	99	5,235	3,553	1,682	-90
32	WOMAN'S LIFE INSURANCE SOCIETY	0	0	0	0	0	0
		69,418	**39,955**	**2,694,850**	**2,334,900**	**359,950**	**-170,550**
	TOTAL	**152,493**	**119,458**	**8,949,665**	**7,049,949**	**1,899,716**	**-131,131**

Financial Summary Notes

Ontario

1. The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 8, 1994.
2. No financial information was reported for Markham General Insurance Company in 2010. The company was ordered into liquidation effective July 24, 2002.
3. The company's licence is limited to automobile risks of Toronto Transit Commission.
4. The company's licence was amended from federal to extra provincial effective December 20, 2011.
5. The former name of Unica Insurance Inc. was York Fire & Casualty Insurance Company.
6. No financial information was reported for Alta Surety Company in 2011. Company has been in liquidation since June 2002.
7. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 25, 1993.
8. No financial information was reported for Granite Insurance Company in 2011. Company has been inactive since November 1992.
9. The former name of Northbridge Commercial Insurance Corporation was Markel Insurance Company of Canada.
10. The former name of Northbridge General Insurance Corporation was Lombard General Insurance Company.
11. The former name of Northbridge Indemnity Insurance Company was Commonwealth Insurance Company.
12. The former name of Northbridge Personal Insurance Corporation was Lombard Insurance Company.
13. The company has a licence condition not to undertake or renew insurance contracts in Ontario after May 30, 1995.
14. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 31, 1985.
15. The company has a licence condition not to undertake or renew insurance contracts in Ontario after January 9, 2006.
16. No financial information was reported for Reliance Insurance Company in 2011. Company has been in liquidation since August 2001.
17. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 20, 1992.
18. The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 20, 2007.
19. The company has a licence condition not to undertake or renew insurance contracts in Ontario after November 20, 2006.
20. No financial information was reported in 2011 for Union of Canada Life Insurance. Company is in process of winding down.
21. No financial information was reported in 2011 for Confederation Life Insurance Company. Company has a licence condition not to take on new contracts and it was placed in liquidation on March 3, 1995.
22. The former name of Foresters Life Insurance Company was Unity Life.
23. The former name of CMFG Life Insurance Company was Cuna Mutual Insurance Society.
24. The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 9, 2006.
25. The company has a licence condition not to undertake or renew insurance contracts in Ontario after August 8, 2007.
26. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 1, 1993.
27. The company has a licence condition which limits servicing of policies issued prior to November 16, 2006.
28. The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 27, 2006.
29. The company has a licence condition which limits servicing of existing policy holders.
30. The former name of Sirius America Insurance company was White Mountains Reinsurance Company of America.
31. No financial information was reported in 2011 for Ukrainian Mutual Benefit Association of Saint Nicholas of Canada.
32. No financial information was reported in 2011 for Woman's Life Insurance Society.

Notes

Notes

Financial Services Commission of Ontario

Ontario

About the Financial Services Commission of Ontario

The Financial Services Commission of Ontario (FSCO) is a regulatory agency of the Ministry of Finance that regulates insurance, pension plans, loan and trust companies, credit unions, caissses populaires, mortgage brokering, and co-operative corporations in Ontario.

FSCO works with consumers, industry stakeholders and investors to enhance public confidence in, and access to, a fair and efficient financial services industry in Ontario.

For more information on any of these sectors, visit our website, www.fsco.gov.on.ca, or call our Contact Centre at (416) 250-7250, toll-free 1-800-668-0128, TTY toll-free 1-800-387-0584.

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